FACTORS INFLUENCINGTHE FAILURE OF SMALL ENTERPRISES IN A SELECTED MUNICIPALITY IN LUANDA, ANGOLA

by

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DECLARATION

I, Mateus Vicente Justino, declare that the contents of this thesis represent my own unaided work, and that the thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

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ABSTRACT

The necessary skills and knowledge on how to open and manage a business can be mastered but the uncertainties during decision-making, as well as the risks, obstacles and barriers present in the business environment can change established ways of conducting a business. However, identifying the causes of such uncertainties, risks and obstacles is essential as it may reduce the probability of failure in the future, and supports effective policy-making.

The purpose of this thesis was to examine the factors contributing to the failure of small enterprises in the Luanda province in Angola, with three specific objectives: to assess the critical management and financial factors; to examine the effect of market competition; and to assess the factors in the economic conditions associated with the causes of small business failures. Recommendations made to government could mitigate the high number of business failures. Similar studies were conducted in countries other than Angola. As alarmingly high rates of business failure exist in Angola, this study sought to examine the factors associated with such failures.

This research was conducted under a positivism theoretical perspective and a quantitative research method was adopted. A questionnaire was the primary data collection instrument and the snowball sampling technique was employed. Questionnaires were distributed to 130 small business owners and managers who had experienced business failures and 108 questionnaires were collected. Statistical Package for the Social Sciences (SPSS) software was used to analyse the quantitative data which was collected. Results were statistically descriptive in nature and presented in tables, pie charts, and bar charts.

The results indicated that critical factors which influenced the failure of small enterprises in Angola were: small business owners and managers lacked knowledge of business systems; small business owners and managers lacked financial accounting skills; and negligence by small business owners and managers in planning and controlling business resources. This indicates that institutions do not actively promote entrepreneurship knowledge and skills development and there is an absence of successful entrepreneur role models and business mentors or coaches for entrepreneurial capacity-building.

Among others factors influencing business failure in Viana, this study identified a lack of economic support and availability of fundamental business resources such as raw material, skilled people and finance, rigid policy-making regulations, and a high level of corruption and theft in the country, to the extent that the small business may lack money and is unable to continue operations.

The study recommends that since most small businesses operate on a basis of sole decision-making, it is important that the entrepreneur/manager should make a concerted effort to acquire the necessary knowledge and skills in management and finance systems, primarily to start a business or as needed, so that risk and probability of failure can be reduced. Policy-making should consider support structures for entrepreneurial capacity-building, increase the production of primary products and raw material, provide entrepreneurial training and skills development (higher education), and develop mechanisms to allow easy access to information, reduce trading restrictions and reduce crime.

Key words: Small business failure, Angola, failure factor, success, entrepreneurship.

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DEDICATION

I dedicate this thesis to my two late brothers Conceição Vicente Justino and Pedro Vicente Justino who could not witness this achievement, and to my parents, for their hard work and tireless support of my studies and career at all times.

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CLARIFICATION OF BASIC TERMS AND CONCEPTS

Entrepreneur: An entrepreneur or a business owner is someone who exhibits creative resolution and sets up his/her own business, confronting all the risks and challenges involved, with the aim of obtaining a financial reward. The entrepreneur is characterised as the person who possess a drive for business creation; find a gap in the market, assembles the necessary business licensing and permits, financial resource, equipments, human resources and sets up a business to fill the gap (Barringer & Ireland, 2010:30).

Entrepreneurship: According to Burger, Mahadea and O'Neill (2004:189) entrepreneurship is the act of taking a business opportunity in the market and assembling the necessary resources to come up with a new venture creation, which can contribute to a country's economic growth. Entrepreneurship is the potential art that can pose the actions and effects of diversification and growth in an economy, increasing employment and alleviate poverty (Singh & Belwal, 2008:121).

External environment: The external environment refers to the factors outside the business that may impact on the venture's formation and operations, the resources assembling, circulation and the consumption of products or service; it is the environment whereby management has less or no control over it; and their impact may severely affect the business policies, revenue, and its continued existence (Venter, Urban & Rwigema, 2008:101).

Failure: The concept of failure to be reviewed in this study is concerned with the failure of small business. Failure can be assumed when the actions of the business environment cause small business operations to cease and/or the business closes down without achieving its goals. According to Nieman and Nieuwenhuizen (2009:310) failure is the inability to achieve any specific objective of the business. It is the opposite of success in essence it reveals the venture's objective as not accomplished.

Failure factors: According to Yeo (2002:241), failure factors are obstructive issues that may arise from the business internal and external environment and that impact negatively on the performance of a business.

Hazard model: This is a model which concentrates on the events causing a business's failure in the course of its lifespan (Honjo, 2000:557; Molina, 2002:43; Shumway, 2001:102). This model was adapted for this study (see Chapter Two), due to its relevant application in the social phenomenon of business failure. The models have been adapted into many studies in the business field to determine the factors causing small business failure during their lifespan, focusing on the detrimental effect over the different business ages, as well as to predict certain business failures using business financial statements (Bhattacharjee, 2005:9; Honjo, 2000:557; Lane, Looney & Wansley, 1986:512; Molina, 2002:47; Shumway, 2001:103). According to Molina (2002:31) the Hazard models remain useful in presenting explanatory variables responsible for small business failure during its existing lifespan, understanding business environmental changes, and providing time prediction until business failure.

Internal environment: According to van Aardt, van Aardt, Bezuidenhout and Mumba (2008:105) the internal environment also known as microenvironment of a business, consists of the small setting where the business' inputs are processed. It refers to an environment that is crucial for the business operations, with total management operation control, and that strongly influences the success or failure of the business; and its components include, but are not limited to the business' overall facilities/equipment, culture, mission, management functions, personnel and the management tasks (Frynas & Mellahi, 2011:43; Strydom, 2011:31).

Small business: The concept of small business in Angola is clustered under the definition of Micro, Small and Medium enterprises (MSMEs), which are formed with the objectives of exercising an economic activity (Angola. MINEC, 2012:7). Generally speaking, a small business can be understood as a structured unit within a wider economic environment, undertaken for commercial purpose. Small businesses as defined under Angolan Law No. 30/11 of 13 of September, law of MSMEs are those businesses employing more than 10 and up to 100 employees and/or have an annual gross turnover in Kwanza exceeding the equivalent of USD 250 000 (R3,225 million) and equal or less than USD 3 million (R38.7 million) (Angola. Diário da República, 2011:4295).

Small business failure: Hatten (1997:21) defines small business failure as small businesses that "close because of actions such as bankruptcy, foreclosure or voluntary withdrawal from the business with a financial loss to a creditor". For the purpose of this study, small business failure is the unsuccessful result caused by certain factors that occur inside or outside the environment of any small business seeking to achieve desired objectives, whereby the small business's owner or manager failed to take control of these factors, and as a result, the small business ended operations and closed down, leaving stakeholders with a financial loss.

Success: This happens when a venture "sets out" certain objectives and in the long run starts achieving them through a proper exploration of its business resources, including human, information, financial and other assets (Nieman & Nieuwenhuizen, 2009:310).

GLOSSARY

Terms/Acronyms/Abbreviations	Definition/Explanation
ANGOP	Angola Press Agency
ANIP	National Agency for Private Investment
BNA	Banco Nacional de Angola
BUE	One-stop Shop for Entrepreneur
CIA	Central Intelligence Agency
GDP	Gross Domestic Profit
GEM	Global Entrepreneurship Monitor
HDI	Human Development Index
IMF	International Monetary Fund
INE	Instituto Nacional de Estatística
KSFs	Key Success Factors
LMIC	Low and Middle Income Countries
MED	Ministério da Educação
MINEC	Ministry of Economy
MSE	Micro and Small Enterprises
MSMEs	Micro, Small and Medium enterprises
PES	Social and Economic Programme
SBA	Small Business Administration
SBP	Small Business Project
SPSS	Statistical Package for the Social Sciences
SSA	Sub-Sahara Africa
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USD	United States Dollar

CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Introduction

Small enterprises are well recognised for their potential in job creation, poverty alleviation, fostering economic growth and diversification (Cant & Wiid, 2013:707; Ihua, 2009:200-201; Mead & Liedholm, 1998:61; Nichter & Goldmark, 2009:1454; Singh & Belwal, 2008:121). Their viabilities are determined by certain degrees of quality factors associated with their environment. Such factors may vary from economy to economy, mainly because of the economic condition and political and social environment of the host country (Arasti, 2011:7490-7491).

Angolan small enterprises are suffering from a high rate of failure. Such high rate of failure has been overstated, reaching up to 96.7% (ANGOP, 2013). According to Aguilar (2003:19), small businesses in Angola have been suffering from the weakness of the country's financial sector and macroeconomic instability. Several authors believe that the lack of infrastructure, proper distribution channels for raw materials, the weak financial support for business and barriers or restrictions in the initial phase of starting a business, critically impact on the success of many businesses in Angola (Da Rocha, 2011:37; Lundahl, 2005:32-33; Mendes, 2012:17).

A comprehensive understanding will reveal that business failures are being caused by the acts of stakeholders and events occurring in the external environment. According to Wu (2010:2371) business failure is a destructive event that does not only wipe out the benefits of stakeholders, but it also harms the continuing growth of economy and society. The effects of small business failure are not welcome in any economy, as countries across the world are continuously seeking to innovate and develop new ways of improving the performance and success rate of businesses (Altman, 1984:171; Di Pietro & Sawhney, 1977:4; Holt, 2013:64).

The fact that there are a very high number of small businesses failing in Angola was what this research aimed to critically examine, as well as to investigate the business environmental factors which cause such failures. In so doing, it may help current and future business practitioners and policy-makers to perceive certain failure risks prior to taking action and implementing new policies, which can serve as a scaffolding to increase the level of businesses success in Angola.

The design of this chapter is demarcated by: the background of the research problem; the statement of the research problem; the research questions and objectives; the delineation and the significance of the study; the research methodology; data analysis; ethical considerations; outline of chapters; and the chapter summary.

1.2 Background to the problem

Small businesses in Angola face tremendous challenges to success. Their growth is comparably lower than in other developing countries in Africa, and even in relation to large firms in Angola they barely represent dynamism in the economy or market competition between them (Hernandez, Lothrop, Loyola, Blackman, Stephan, Molini, Kochanova & Sullivan, 2013:40). Such challenges consequently result in a high number of businesses failing, with a very small contribution to the economy. This fact is supported by the Angolan Ministry of Economy statistics of tax revenue, which reveal that the Micro, Small and Medium Enterprises (MSMEs) only contributed 5% to the total Gross Domestic Profit (GDP) in 2011 (Angola. MINEC, 2012:7).

Over the years, the Angolan government has been committed in its responsibility to implement programmes to encourage, support and promote MSMEs. Its initial measures were implemented in 1995 with the programme called PES95 (Programa Económico e Social), but by the middle of the year this programme was abandoned as it had not achieved its objectives (Aguilar, 2003:7-9; Lundahl, 2005:32; Mendes, 2012:26). Nevertheless, the government continued to implement other measures in support of entrepreneurial development. One noteworthy measure is the inclusion of entrepreneurship as part of an ongoing secondary school curriculum reform begun in 2009 (Mendes, 2012:28).

Although this is a great effort, Angola ranks between the first and fifth country with the highest rate of business failure in the Global Entrepreneurship Monitor (GEM) reports, since its first inclusion in GEM studies in 2008, until the last research conducted in 2014. Data indicate that in 2008 Angola had the highest rate of business failure (23.4%) amongst countries participating in GEM for that year (Bosma *et al.*, 2009), and in 2013, out of 70 countries Angola was the second economy with the highest rate of business failure (24.1%), compared with the South African rate of 4.9%, Ghana 8.3% and Nigeria 7.9%, scoring considerably below the sub-Saharan Africa (SSA) average rate of 16.6% (Amorós & Bosma, 2014:30).

According to Da Rocha (2011:26) and Herrington (2014:7), the factors impacting on business failure in Angola should be seen in the context of the damage caused by the long-lasting civil war that started in 1975 and only ceased in 2002. During the war period the infrastructure was shattered, many skilled people were forced to leave the country, which forced numerous businesses to close down and subsequently a high decline in the economy was experienced (Da Rocha, 2011:26). This implies that all of these factors need to be considered. Herrington further suggests that due to the high proportion of businesses failing in Angola, policy-makers should further investigate the factors behind the failures (Herrington, 2014:6). These, however, are factors that should concern all Angolans because of the detrimental effects of business failures to the economy and society in general.

Despite the above problems, after the ceasefire in 2002 the Angolan economy in general witnessed very high growth rates (Isaacs, 2007:2; Da Rocha, 2011:37; Herrington, 2014:4). Thus far, the country continues to face massive developmental challenges which include a diversifying economy, unemployment and inequality in the living conditions of the population to a large extent (Da Rocha, 2011:26; ANGOP, 2013; World Bank, 2014b). Similar results from the World Bank report "Doing Business 2009" highlight that Angola ranked 168 out of 181 countries and in 2014 ranked at 179 out of 189 (World Bank 2008:6; 2013:174). These statistics denote that Angola's business environment is one of the least conducive in the world, and it remains very difficult to start a business. This last statement is supported by Hernandez *et al.* (2013:23).

To address the overall constraints, the Angolan government has once again identified the importance of MSMEs for more heterogeneous entrepreneurial activities. In 2011 the government promulgated the law of MSMEs, Law No. 30/11 of 13 September. This law was developed to establish rules for the fair treatment that MSMEs deserve, and provides a suitable framework for a strong national chain of businesses in Angola (Angola. MINEC, 2013a).

To implement such laws the government created the "Angola Investe" programme in June 2012, with the mission of promoting the development and consolidation of MSMEs' and facilitating access to credit for new entrepreneurs intending to start MSMEs (Angola. MINEC, 2013b). As a result, Angola has made remarkable strides in comparison to other developing countries, mainly in making credit easier for MSMEs to access. Despite this positive change, access to finance in Angola remains low compared with most SSA countries and to Low and Middle Income Countries (LMIC) world-wide (Hernandez *et al.*, 2013:37).

However, an unacceptable outcome of the programme Angola Investe is the 3.3% success rate for businesses that acquired government subsidised credit, over a period of one year (Angonotícias, 2013; ANGOP, 2013; Dias, 2013; Sapo Angola, 2013). This indicates a 96.7% rate of business failure, which is a very high rate compared to other countries. For example, in South Africa, about 71% of small businesses fail in a period of one year (Kgosana, 2013; South African Government News Agency, 2013), and in Australia small businesses are accountable for only 5.4% of all failures from 2009 to 2010 (Clark, Eaton, Lind, Pye & Bateman, 2011:15).

The foregoing sub-optimal performance can be partly attributed to Angola's poor management of the implemented policies and the lack of in-depth understanding of the overall factors pertaining to the failure of businesses in the country.

Da Rocha (2011:37), Mendes (2012:17) and Herrington (2014:7) attribute the high rate of business failure to Angola's failure to sustain the entrepreneurial environment for proper entrepreneurship development. Venter *et al.* (2008:91) argue that a favourable entrepreneurial environment to increase and encourage viable entrepreneurship activities in an economy should include: a proper physical and commercial infrastructure; favourable socio-economic conditions; simplified business rules and regulations; an education and training programme; institutional support; and political stability.

Similar studies in business failure were conducted in countries other than Angola by April (2005), Arasti (2011), Everett and Watson (1998), Micha (1984), Milner (1987), Mofokeng (2012), Nemaenzhe (2010) and Samsudin (2013). Putting all of the foregoing into context presupposes the relevance of a critical investigation into the failure factors for an accurate policy implementation. Thus, this study sought to examine the factors associated with small business failure in an Angolan context. Small business failure has resulted in unemployment, poverty, non-diversification and poor development of the economy, low contribution to GDP, wastage of resource and financial detriment to entrepreneurs and lenders.

1.3 Problem statement

Small enterprises in Angola show high rates of business failure. Although there are numerous support programmes for MSMEs provided by the government, the high failure rate still persists. According to ANGOP (2013), Angonotícias (2013) and Dias (2013), 96.7% of small businesses fail within a period of one year. Da Rocha (2011:26), Herrington (2014:7) and Mendes (2012:14) believe that the causes of such failure are a result of the damage caused by the civil war that stopped in 2002, as it was responsible for the mass exodus of skilled people, including entrepreneurs, who could have served as role models, and the poor economic and social conditions. In addition, Zinga, Coelho and Carvalho (2013:498) argue that lack of business education and training in Angola has minimised the probability of many entrepreneurs acquiring the necessary management skills to sustain their enterprises. Furthermore, Herrington (2014:5) and Mendes (2012:17) are of the opinion that efforts should be made to develop divergent business support programmes that act to alleviate the specific problems causing the failure of businesses.

Small enterprises are crucial in generating substantial economic growth, employment creation and national revenue in many countries (Dantels, 1999:63; Mahadea & Youngleson, 2013:33; Singh & Belwal, 2008:121). The factors that cause the failure and non-sustainability of small businesses, in Angola in particular and the third world in general, have not been extensively researched. Herrington (2014:6) notes that further investigation of the factors behind the failures should be conducted.

According to Altman (1984:171) and Holt (2013:64), countries across the world continuously are seeking for new ways to increase the success rates of small business. Therefore, identifying the causes of business failures is essential, as it helps small businesses to reduce the probability of failure in the future and supports effective policy making (Di Pietro & Sawhney, 1977:4; Khalfan, 2003:745). The research problem therefore revolves around the high failure rate of small enterprises in Angola and the associated factors.

1.4 Research questions

This section specifies the main question and sub-questions that guide this study.

1.4.1 Main question

What are the factors that contribute to the failure of small enterprises in Luanda?

Sub-questions

- What are the managerial competencies and financial skills of small businesses in Luanda?
- What is the impact of market competition on the failure of small businesses in Luanda?
- What is the impact of regional economic factors on small business failure?
- What should the government and other stakeholders do to prevent the high number of small business failures in Luanda?

1.5 Main objective

The main objective of this research was to determine the factors that influence the failure of small businesses in Luanda province in Angola.

1.5.1 Sub-objectives

- To investigate the impact of managerial competencies and financial skills on the failure of small businesses.
- To examine the impact of market competition on the failure of small businesses.
- To examine the role that economic factors play in failure of small businesses.
- To provide recommendations on how to mitigate high small business failures in Luanda.

1.6 Delineation of the research

This study is positioned to investigate the factors related to the failure of small enterprises in the municipal area of Viana in Luanda province in Angola, which refers to the examination of the differing political, economic and social environments. The study does not intend to be representative of all small businesses in the province of Luanda, as it is limited to the municipal area of Viana, and surveying business owners or managers who have between 11 and 100 employees, and who have experienced failed small businesses.

1.7 Contribution of the research

This study provides useful information about the causal factors of small business failure in Viana municipality, Luanda province, Angola. The findings will inform future entrepreneurs, current business owners and managers of critical factors which contribute to either the success or failure of small businesses in Angola. This knowledge will empower them to make sound business decisions and avoid pitfalls and risks which lead to failure. The resultant successful small businesses will strengthen the economy with diversification, job creation and poverty alleviation. Furthermore, this study makes recommendations that may assist government in effective policy-making and may also augment the limited information resources pertaining to small business failure in Angola.

1.8 Research methodology and design

According to Greener (2008:38), "A research design is a grand plan of approach to a research topic."

The focus of this social research study is the investigation of factors influencing the failure of small businesses in the municipal area of Viana in Luanda province in Angola. A positivism theoretical perspective is taken.

Both primary and secondary data were collected. Secondary data comprised a review of the literature, particularly regarding the factors influencing the failures of small businesses. These data were acquired from academic journals, theses and dissertations, books, newspapers, reputable online sources and government publications. The primary data was gathered using structured questionnaires, encoded under closed-ended questions in a quantitative approach. The closed-ended questions were used to provide a solid foundation for respondents to retrospectively consider the concepts that caused their businesses to fail and enhance the accuracy of the information acquired. The research employed non-probability sampling and the snowball sampling technique to identify the targeted respondents of 130 small business owners and managers. From the 130 questionnaires distributed, 117 were returned and only 108 were processed for analysis, while 9 questionnaires were deemed not usable due to physical damage or being incomplete. Statistical Package for the Social Sciences (SPSS) software was utilised to analyse the data.

1.8.1 Data collection instrument

According to Kothari (2004:18) a questionnaire is the means of collecting identical data from a large number of people by using a unique technique, where the result is later systematically analysed. This technique was utilised to gather data for the empirical study and was designed under nominal and ordinal scales of measurement. It is important to point out that the questionnaire allowed the researcher to approach as many respondents as possible for an accurate evaluation of the validity of data. It also helped the researcher to reduce discrepancies in the interpretation of data, minimised costs of materials and saved time (Denscombe, 2007:169; Sarantakos, 1998:224). However, a questionnaire can also be disadvantageous as biased responses are possible due to a lack of supervision (Sarantakos, 1998:225).

1.8.2 Target population

Brynard and Hanekom (2006:55) opine that population denotes a number of subjects with exact characteristics and attributes, which consequently forms the researcher's target population. The target population of this study was the small enterprises operating in the municipal area of Viana in Luanda province in Angola. The municipal area of Viana was selected from the seven municipalities in the Luanda province because of the highly diversified small businesses in that area, and that it is the most industrialised and growing municipality. Small businesses in this study are defined by the number of employees being between 11 and 100 and/or by an annual revenue greater than USD 250 000 (R3,225 million) and equal to or less than USD 3 million (R38,7 million) (Angola. Diário da República, 2011:4295).

1.8.3 Sampling design

Sampling is the process of separating a significant portion of the population by taking into account the limitations and characteristics that denote them, in order to represent the population (Coldwell & Herbst, 2004:74). According to Sarantakos (1998:140-141), two types of sampling techniques are available. The first is random or probability sampling, which ensures that every individual in the population has an equal opportunity of being selected for the sample. The second is non-probability sampling, where it is left to the researcher to decide what sample to use for the study.

Due to the lack of names of small business owners/managers, non-probability sampling was conducted using the snowball sampling technique. According to Denscombe (2007:17) snowball sampling involves the building of sample size through a line of references, from one respondent to another. The sample size for this study was based on the sample average of five similarly conducted studies on small business failure, which defined an average sample as 104; as a result, the current research sample size was 130 respondents, translating to 25% (0.25*104) of the average sample.

1.9 Data analysis

This research utilised SPSS software for the analysis of the primary data. According to Kulas (2009:5) SPSS can carry out diverse statistical analyses, both descriptive and inferential. The analysed data were descriptive in nature, produced in frequency and percentage, and presented in tables, pie charts, and bar charts.

1.10 Ethical considerations

Throughout the undertaking of social research the researcher must consider primordial ethical principles (Denscombe, 2007:141). Taking into account the wider community and the direct participants in this research, the study was conducted in an ethical manner, ensuring the primordial ethical principles, including honesty with regard to data, responsibility of overall research, and respect of the participants' rights. Correspondingly, confidentiality and voluntary participation were all taken into consideration.

1.11 Outline of chapters

Chapter One: The study is introduced and a background is given to the research topic. The research questions and objectives follow the statement of the research problem. It further provides the significance and contributions of the research, the research methodology, and finally the ethical considerations.

Chapter Two: An in-depth literature review is undertaken on all aspects of the causes of small business failure world-wide, in order to acquire knowledge and gain a global perspective on factors contributing to failure. In addition, this chapter reviews business environmental factors which are needed for business development and viability.

Chapter Three: This chapter provides background to the Angolan economy and gives an overview of small businesses in the country. It further reviews the available government support measures as well as the opportunities for small enterprises in the Angolan economy.

Chapter Four: The research methodology and design utilised in this study is discussed. The focus is on the research methods and techniques, the research area, the target population, the design of the data collection instrument and the practical experience of data collection.

Chapter Five: In Chapter Five the data of the empirical study collected from small businesses managers and owners in municipal area of Viana, is presented, analysed and discussed. The results of the survey of the small enterprise environmental factors, both factors which influence and do not influence small business failure, are examined.

Chapter Six: Chapter Six outlines the findings, recommendations and conclusions drawn from the research. The findings of factors which contribute or do not contribute to small enterprise failure in Angola, are summarised. The preceding chapters are recapped and the research objectives revisited.

1.12 Chapter summary

The study was introduced and a background sketched to small business failures in Angola. The detrimental effects of small business failures on the Angolan economy was briefly reviewed, as well as measures that the Angolan government have implemented to ameliorate the entrepreneurship situation.

The problem statement, research questions and research objectives were stated, and the significance and contribution of this research was discussed. The research methodology and design, which will be discussed in detail in Chapter Three, was briefly outlined.

Ethical considerations were noted and a synopsis provided of the study chapters.

In the following chapter, Chapter Two, an in-depth literature review is undertaken on all aspects of the causes of small business failure world-wide, as well as in the Angolan context.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The central focus of the previous chapter was on business failure as a potential problem facing small businesses in Angola. The main objectives which inspired the researcher to conduct the study, were stated, as well as the approaches adopted throughout the research.

This chapter reviews literature on small enterprise failures. According to Yin (2011:63) a literature review seeks to combine a set of knowledge related to a specific topic, accentuating diverse and progressive logical ideas with regards to the topic. The focus of this study is the factors which influence the failure of small enterprises. This topic has been extensively researched but not the factors which influence small business failure specifically in Angola.

Greener (2008:22) states that an in-depth literature review should be undertaken to provide broader discussion of the subject under study. Bhattacherjee (2012:21) and Yin (2011:62) similarly declare that the primary purpose of a literature review is to focus on the central idea of the asserted topic, method and reputable sources of data, identifying theories and findings related to the topic under study and the gaps to be filled.

Considering the above views, the aim of this chapter is to provide a general overview of available literature on factors which influence the failure of small enterprises worldwide. The overview of the literature is demarcated to critically review the following:

- Firstly, the major drive concepts of this study;
- Secondly, a theoretical overview of small business failure;
- Thirdly, review of the general components of the business environment and its impact on failure; and
- Lastly, a review of success factors pertaining to small businesses.

2.2 The major drive concepts of this study

2.2.1 Entrepreneur

There is no single universal definition of the concept 'entrepreneur' as many different views exist on what is an 'entrepreneur'. This view is supported by Nieman and Nieuwenhuizen (2009:32) who maintain that "every entrepreneur is different and unique". The term 'entrepreneur' is derived from the French word *entreprendre*, meaning "to undertake" (Singh & Belwal, 2008:120; Barringer & Ireland, 2010:30). In line with this explanation, Cronje, du Toit and Motlatla (2000:5) define an entrepreneur as:

> …someone who, in pursuit of profit and at a risk, makes the most of opportunities in the environment by combining the expertise and resources of a community in different ways to produce products and services to the market.

Nieman and Nieuwenhuizen (2009:13) see an entrepreneur as an individual who starts a business. According to Barringer and Ireland (2010:30), an entrepreneur is characterised as a person who possesses a drive for business creation, finds a gap in the market, obtains the necessary business licence and permits, financial resources, equipment and human resources and sets up a business to fill the gap. Sexton and Bowman (1985:138) opine that an entrepreneur is a person who possesses unique "psychological and sociological traits" that identifies them from other individuals in society. Some common traits and characteristics of entrepreneurs include being alert to opportunity, moderate risk-taker, resourcefulness, creative and innovative, achievement-orientated, persuasive, a networker, locus of control, self-starter and persistent (Sexton & Bowman, 1985:138; Venter *et al.* 2008:6; Barringer & Ireland, 2010:40; Nieman & Nieuwenhuizen, 2009:32-33). Therefore, it can be summarised as an entrepreneur or a business owner is someone who exhibits creative resolution and sets up his/her own business, confronts all the risks and challenges involved, with the aim of obtaining a financial reward.

2.2.2 Entrepreneurship

Different views of entrepreneurship indicate different actions in our correlated environment. Burger, Mahadea and O'Neill (2004:189) see entrepreneurship as the act of taking a business opportunity in the market and assembling the necessary resources to come up with a new venture creation which can contribute to a country's economic growth. Similarly, Singh and Belwal (2008:121) perceive entrepreneurship as the potential art that can pose the actions and effects of diversification and growth in an economy, increasing employment and alleviating poverty. According to van Wyk, Boshoff and Bester (2003:1) entrepreneurship is seen as one of the factors that drive business diversity, innovation, technology expansion and "independence by individuals in society". Analysing the above views, one can see the indispensability of entrepreneurship in promoting economic development. Van Gelderen, Brand, Van Praag, Bodewes, Poutsma and Van Gils (2008) in explaining entrepreneurship focus more on the actions and results achieved by an individual in the career of entrepreneurship, rather than one of the factors driving economies. They assign different meanings to entrepreneurship, including:

> …growing a large business, acquire wealth, running a home-based or a part-time business, self-employment, opportunity for challenges and learning, and the sense of perceived security (Van Gelderen *et al*., 2008:540).

However, other authors view entrepreneurship as the core element in the process of innovation, coming up with new ideas or diversifying an existing business. For example, Chen and Lai (2010:2) state that entrepreneurship involves providing new products or services in the market, inserting a new unit in an organisation, or investing into or creating a new venture. Barringer and Ireland (2010:37) maintain that it increases the effectiveness of businesses through product improvement, making for easier operations and providing more features for competitive advantage. The overall result is that entrepreneurship is positioned in all forms and dimensions of the environment (Van Gelderen *et al*., 2008:540).

2.2.3 Small business

Generally speaking, a small business can be understood as a structured unit within a wider economic environment, undertaken for commercial purpose. Byrd and Megginson (2009:9) define a small business as any business within the category recognised under the following criteria: it is not the overpowering business in its sector; has a limited size of employment and a limited amount of revenue; and is privately owned and operated. The concept of small business in Angola is clustered under the definition of MSMEs, which are formed with the objective of exercising an economic activity (Angola, MINEC, 2012:7). The classification is consistent with many other countries, in that businesses are clearly identified either by the number of employees or by their annual gross turnover. For example, in USA, a small business is defined as "an American-owned for-profit business with fewer than 500 employees" (Barringer & Ireland, 2010:359). Correspondingly, in South Africa, a small business is also classified by the number of employees (less than 50), and/or by both the total annual turnover and by total gross asset value, which varies greatly by sector (Venter *et al.,* 2008:235).

Small businesses as defined under Angolan Law No. 30/11 of 13 of September, the law of Micro, Small and Medium enterprises (MSMEs), are those businesses employing more than 10 and up to 100 employees and/or have an annual gross turnover in Kwanza exceeding the equivalent of USD 250 000 (R3,225 million) and equal to or less than USD 3 million (R38,7 million) (Angola, Diário da República, 2011:4295).

2.2.4 Failure and failure factors

The concept of failure to be reviewed in this study is the failure of small businesses. Failure can be assumed when the actions of the business environment cause small business operations to cease and/or the business closes down without achieving its goals. According to Nieman and Nieuwenhuizen (2009:310), failure is the inability to achieve any specific objective of the business. It is the opposite of success, in essence it reveals the venture's objective as not accomplished. Dimitras, Zanakis and Zopounidis (1996:487) concur that failure is the circumstance in which the business is unable to pay its creditors, employees, shareholders and suppliers, or a bill is overdrawn, or the business is bankrupt according to law. Arasti (2011:7489) states that a failure is the closing down of a small business, the "entrepreneurial exit, discontinuance, insolvency, or organizational mortality". Therefore, one can conclude that failure is a condition that causes a small business to cease operations as there is no finance to continue the business.

According to Yeo (2002:241) failure factors are obstructive issues that may arise from the business' internal and external environment and that impact negatively on the performance of a business. As the negative impact is the focus of this study, Di Pietro and Sawhney (1977:4; Khalfan, 2003:745) support that identifying the factors causative of business failures is essential as it can help small businesses to reduce the probability of failure in the future and supports effective policy-making. According to Holt (2013:60) the failure of a small business is a "complex phenomenon" with a variety of associated factors. These factors may vary from economy to economy, mainly due to differences of the economic condition, political and social environment of the host country (Arasti, 2011:7490-7491). For example, a survey that examined MSEs' key failure factors in both the United Kingdom (UK) and Nigeria, found "poor management" to be a critical factor in the UK, and "poor economic conditions and infrastructural inadequacy" to be the critical factors in Nigeria (Ihua, 2009:199). Similarly, In Iran many factors were related to management deficiencies (Arasti, 2011:7490). A study conducted by Ooghe and Prijcker (2008:237) in Belgium found factors pushing small business failure to be lack of competitive advantage, non-satisfied customers, and suppliers and banks losing trust. However, in the Angolan context failure factors could also differ, mainly because of disparity in the political, economic and social environment, and the experience of 13 years of peace after 27 years of civil war. Cronje, Du Toit, Marais and Motlatla (2004:82) support the notion that businesses are highly dependent on the inputs of both internal and external elements, as they can influence their success or failure. This latter argument is also supported by Strydom (2011:29) and Tengeh (2011:105) who maintain that the factors impacting business viability can be endogenous and exogenous.

Wickham (2004:256) argues that some milestones of failure may occur when a business sets certain strategic goals of which some may be achieved within the set period and others may fail. An example is that the business may achieve its financial goal as set, yet fail to achieve strategic goals, such as increasing "market share", expansion or "innovation rate". Regarding the above, Wickham further claims that the effect of it can constitute a concern for the long-running operation of the business (Wickham, 2004:256).

However, when analysing Wickham's view, the question arises as to what type of failure should the above be in a business? To address this concern, Wu (2010:2371), Arasti (2011:7489) and Holt (2013:65) maintain that small business failure can be explained in a variety of ways. In fact, Cronje *et al.* (2004:517) identify certain types of failure that may happen within a business operation, which include:

Design failures: originates on the execution of a design which is discovered to be unsuitable for the determined purpose.

Facility failures: business operations cease or partly cease due to a breakdown of one or more machines or any relevant components of the business facility;

Staff failures: occur in the event of personnel mistakes, misrepresentation, failure to comply with certain procedures that are compulsory to the success to the business;

Supplier failures: in the event that suppliers stop providing products or services, or fail to supply them on time, the business starts failing to deliver on its promises to customers;

Customer/client failures: these are events that originate from customers' or clients' misuse of the product or service, utilising them for purposes other than for which they were designed and manufactured (Cronje *et al*., 2004:517-518).

As argued above, failures arise from different sources within a business. Business failure rarely stems from a single mistake or problem, but usually from an accumulation of operational mistakes. Ignoring mistakes or problems by taking no remedial action is risky as business failure is a consequence of errors. This argument is supported by Cronje *et al.* (2004:517) who maintain that the phenomenon of failure may occur at any time within a business' activities, regardless of a well-structured operational process, culture, management design, somewhere within the structures failure may take place.

2.3 Theoretical overview of small business failure

Theory refers to a series of assorted concepts which exclusively try to defend a rational idea of a social phenomenal (Marvasti, 2004:83). The theory can be represented by a single hypothesis or by a sequence of hypotheses that explain an event that has been studied (Yin, 2011:101). In the context of this study, the event refers to the failure of small businesses. The views of various authors on small business failure is now discussed, followed by the Hazard modelling theories, models used to understand the causes of small business failure and predict business failure in the course of its lifespan (Honjo, 2000:557; Molina, 2002:43; Shumway, 2001:102) and lastly, the Nemaenzhe (2010) small business failure process model.

2.3.1 Small business failure: an overview

Before scrutinizing the concept of small business failure, it is important to acknowledge that business failure is not limited to a unique size or stage of a business. Although it occurs more frequently in new start-up MSEs, listed companies or any other long-running large firms are not excluded from failure (Ooghe & Prijcke, 2008:226; Wu, 2010:2372). Nemaenzhe (2010:25) defines small business failure as any small business that freely closes or is forced to, for the reason that either the owner's lawful right has been lost or it is no longer profitable. Hatten (1997:21) defines small business failure as small businesses that "close because of actions such as bankruptcy, foreclosure or voluntary withdrawal from the business with a financial loss to a creditor".

For the purpose of this study, small business failure is the unsuccessful result caused by certain factors that occur inside or outside the environment of any small business seeking to achieve desired objectives, whereby the small business's owner or manager failed to take control of these factors and as a result the small business ended operations and closed down, leaving stakeholders with a financial loss.

Dasgupta and Sanyal (2010:100) argue that a small business failure occurs gradually with a series of small failures culminating in final, absolute failure; therefore, it is not a sudden occurrence. The researcher believes that small business failure is an event that can be avoided, and that managers can equip themselves with the necessary resources to avoid certain risks that may cause their businesses to fail. This statement is supported by Tengeh (2011:105) who argues that certain risk factors impacting on small business failure, such as but not limited to, lack of business knowledge, lack of capital, less market share or downturn of the economy can be overcome by an entrepreneur's positive attitude to success and with minimum effort. Hendrikse and Hendrikse (2004:238) opine that best practice of business procedure is not a guaranteed formula for success but significantly reduces the risk of business failure.

Nieman and Nieuwenhuizen (2009:311-313) suggest four distinctive levels of failure that may occur, causing a business that is performing well to become a failed business. They support that business failure can be material to certain performance level of the business, making it risky in the performance level where the business is already found in a critical condition (Nieman & Nieuwenhuizen, 2009:311). The four levels of failure in a business are discussed below:

Level 1: The business is performing well – on this level the business presents an excellent performance, apparently not showing a clear problem at all. The business is achieving its long term-goals, shareholders are happy with the business, and all its acquired tangible and intangible assets are perceptible. In this stage small failures can happen on lower management level but are easily corrected as the business is well structured and controlled. However, it can be material if originating from senior management at a strategic level.

Level 2: The business is underperforming – on this level the failure signs are not easily noticeable. However, they may become visible when comparative examinations are done of the financial statements at different points in time. The main sign is a decrease in gross profit.

Level 3: The business is in trouble – the business starts facing complex problems and not achieving its short-term goals, net profits decrease and there are cash flow problems. In this instance, failure is a danger but business failure may depend on the severity of the hazard to the business.

Level 4: The business in crisis – the business starts experiencing extreme cash flow problems, stakeholders start losing interest in the business or withdrawing, the firm experiences a constant decline in sales and various other problems. Failure at this level can be more dangerous and risk and finally the business fails. In business failure, the entrepreneur loses control, or the business is bankrupt, and finally closes down (Nieman & Nieuwenhuizen, 2009:311-313).

2.3.2 The hazard models

The hazard models, also known as Cox regression models, are used for survival analysis and business failure prediction. The models were developed by Cox (1972) and first applied in the fields of medicine and engineering to analyse the interval between the survival or failure of patients and the period to failure of materials (Lane *et al.*, 1986:512; Molina, 2002:43). Subsequently, these models were also adapted for many studies in the business field to determine the factors causing small business failure during their lifespan, focusing on the detrimental effect over the different business ages, as well as to predict certain business failures using business financial statements (Lane *et al.*, 1986:512; Honjo, 2000:557; Shumway, 2001:103; Molina, 2002:47; Bhattacharjee, 2005:9).

According to Bhattacharjee (2005:8-9), hazard models have some advantages such as having the capacity to stipulate a timeframe for a determined event that observes separately the factors associated with the reality of small business (such as if the small business is successful or failed), and also permit to examine the status of the different ages of businesses under study. In addition, the models also possess various flexible regression structures so that hazard models are not limited to the factor of business age only, but also explore other factors through explanatory variables (Bhattacharjee, 2005:8-9). Considering the above, one can deduce that hazard models are useful in the testing of hypothesis variables relating to an explanatory study. Lane *et al.* (1986:512) and Molina (2002:31) support that these models are useful in understanding business environmental changes and providing time predictions to business failure. However, some authors argue that these models present some incompatible conditions because of high levels of assumption, with concern of the explanatory factors risk, added to separate the effects of age and determining conditional hazard rates (Bhattacharjee, 2005:9; Preisendorfer & Voss, 1990:123; Shumway, 2001:109). Notably, the models do not provide further descriptive details of failure factors. The next model to be reviewed is the Nemaenzhe small business failure process model.

2.3.3 The Nemaenzhe small business failure process model

The proposed small business failure process model by Nemaenzhe (2010) was adopted for the review of the literature because of its compelling similarity to the nature of this study. The Nemaenzhe model outlines a sequence of three steps, emphasising resources and opportunities, and when these are poorly combined they lead to business failure.

First step: this step support that poor business management results in inefficiencies that lead to internal failures which are further affected by environmental uncertainties. Poor business management results in a poor combination of resources and opportunities (Nemaenzhe, 2010:199). Many other authors, including Altman and Narayanan (1997:13), Di Pietro and Sawhney (1977:7), Khalfan (2003:756), Ooghe and Prijcker (2008:240), Pratten (2004:247) and Mahamid (2012:271) hold a similar view that incompetent management causes many business failures.

However, this model maintains that the consequence of incompetent management can affect the management capacity to effectively combine resources and opportunities.

Second step: the second step reveals the effects of the combination of resources and opportunities, which when both are lower they may lead to business failure, mainly due to the incapacity of management to administrate them. In contrast, businesses with a high combination of the two should remain sustainable (Nemaenzhe, 2010:199). To better clarify the above statements, resources are those as listed by Nieman and Nieuwenhuizen (2009:126) and include financial, human, physical and information resources. The opportunities are those emanating from the business environmental factors which may facilitate the creation or development of new products, meeting new customers, innovation, etc.

Third step: the third step which combines four failure factors (i.e. monitoring and control, experience and planning, income constraints and cash control), assumes that these factors, when they are not efficiently conducted and are influenced by the external environmental factors and hindsight factors, together lead to the final failure of the small business (Nemaenzhe, 2010:199-201). Although according to Arasti (2011:7492), Everett and Watson (1998:371) and Mahamid (2012:273), most business failures may be linked to economic factors, Tang and Chi (2005:246) state that: "...external non-financial factors that affect the survival of business should not be neglected".

2.4 General components of the business environment and its impact on failure

2.4.1 The entrepreneur (business manager)

Nieman and Nieuwenhuizen (2009:313) see an entrepreneur as an individual who starts a business. For a small business, the process of creating, conducting and maintaining a viable, successful business is directly attributable to the management skills of the entrepreneur and these skills will overcome the failure factors. This notion is supported by Cronje *et al.* (2004:85) who argue that the success or failure of the business is greatly influenced by the entrepreneur or manager's own strategic approaches to run the business, for example, it is through the strategic decisions of the entrepreneur that he/she influences the market environment positive or negatively. Such strategic approaches include how the management integrate the business objectives, make decisions, solve problems, conserve the image of the business or deal with the market environment (Cronje *et al.*, 2004:85).

According to Nieman and Nieuwenhuizen (2009:313), one of the key factors of failure include the entrepreneur's lack of positive attitude to success, which will determine their approach and motivation to achieve success. A positive mindset strives towards achieving set goals and can significantly reduce the risk of business failure (Hendrikse & Hendrikse, 2004:238).

Considering the above points, it can be concluded that when success is the goal of an entrepreneur, as is the case for all entrepreneurs, they need to acquire all the necessary technical skills in order to achieve this success.

According to Barringer and Ireland (2010:37) the entrepreneur or manager is the main player in the small business, having complete power and responsibility to safeguard the small business against all risk of failure. However, a great concern would be if the entrepreneur took ill and could not continue to manage the business. Although an acting-manager could be appointed, if this person did not have the same drive, vision and ambition of the owner/manager, the performance of the business could drop and if it were a young business, might totally cease operation and close down.

A) Planning factor

According to Cronje *et al*. (2000:119) a planning gives rise to other management tasks, such as organising, implementing, leading and control. Therefore, without proper planning, the other management steps cannot be effective. The entrepreneur should not disregard the importance of planning (Barringer & Ireland, 2010:49). For example, a sound business plan describes all the aspects of a business venture and forces the entrepreneur to think carefully through all the elements of the business, including finance, human and physical resources, analysis of the industry and competitors. This would circumvent the pitfalls of the business (Cronje *et al.*, 2000:54; Barringer & Ireland, 2010:49).

B) Management skills factors

Management skills refer to the manager's planning skills, organising skills, leadership skills and controlling skills, relevant to the functionalities of the business (Nieman & Nieuwenhuizen, 2009:13). Similarly, Strydom (2011:31) sees management skills as "conceptual, human and technical skills that allow managers to fulfil their management tasks". According to Arasti (2011:7490) many of the factors that may cause business failure are directly related to management's own approaches to the resolution of problems and "deficiencies" in acquiring "technical and management skills" and relevant administration. In addition, Mahadea and Youngleson (2013:420) claim that lack of effective leadership and weak general skills, and financial and marketing planning are pertinent factors to be considered. However, since many small businesses operate on a basis of sole decision-making, one can say that the entrepreneur/manager becomes the most important element in the operation of the business and therefore poor management performance is fatal as it can lead to business failure.

Because many small business managers strive to control everything in the business, they do not delegate responsibilities to their subordinates and become overloaded with work. This statement is supported by Mahamid (2012:281) who found in his study that key factors in business failures were that managers lack understanding of business systems, lack management experience, do not delegate and hence are overloaded with work, and have poor communication skills. The author further opines that because some managers lack experience, even after realising that the business is in trouble, they still do not seek professional advice to come up with solutions.

C) Financial skills factors

Financial management skills refer to the ability to manage and control cash flow (Venter *et al.*, 2008:45). According to Arasti (2011:7490), in today's trading environment, businesses which lack financial accounting skills may not be sustainable in the market. In brief, financial skills are crucial to the success of a business and therefore the small business manager must have an adequate accounting background. According to Flynn, Koornhof, Kleynhans, Meyer and Posthumus (2005:2-4) the basic requirements in this function include but are not limited to the following: preparing operational budgets and ensuring that transactions are accurately recorded; giving approval for all transactional expenditure and report the financial transactions; provide financial guidance and support to management decision-making. Small business managers also need the ability to manage other people's money (credit) and comply with tax regulations as per government requirements because if not, they can bankrupt a business (Frynas & Mellahi, 2011:43).

D) The price factor

Price is the amount of money customers have to pay for a product (Barringer & Ireland, 2010:389). According to Nieman and Nieuwenhuizen (2009:322), incorrect pricing may contribute to failure; if price is not properly positioned the demand for the product may decrease, for example, a product targeted at middle class people may be perceived as overpriced (for the upper classes) or underpriced (for the lower classes).

E) Cash flow troubles

Cash flow problems can indicate business failure. Problems include extensive creditor's days that may cause shortage of operational capital; bad debts, in which the product given in credit is not paid for by customers; and stock turnover which refers to holding too much inventory due to slow sales (Nieman & Nieuwenhuizen, 2009:319-320). Although a negative cash flow is commonly acceptable within the start-up phase of the business, due to the overall costs to build the business, buying equipment, training employees and building brand awareness, if the situation is prolonged it can cause problems to the business due to lack of profits, resulting in all the entrepreneur's money being consumed and the business failing (Barringer & Ireland, 2010:341). Cash flow shortage can also be critically experienced if the entrepreneur uses a single account for both the business and personal use, as a consequence of the entrepreneur not controlling personal cash withdrawals, or if there arises high uncontrollable overall expenses (due to ever increasing raw materials, breaking machines, etc.).

2.4.2 Market environment and its effects on small business failure

The market environment refers to factors and forces which affect a business' capacity for successful relationship-building with its customers, the market and industry within which the business operates and the greater national environment which affects the business' internal environment.

This statement is supported by Cronje *et al.* (2004:85-87) and Frynas and Mellahi (2011:43), who maintain that the main components of the market environment which may impact the viability of the business include customers, competitors, intermediaries and suppliers, over whom the entrepreneur possesses only slight or no control but can influence them through his/her strategic decisions. Nieman and Nieuwenhuizen (2009:321-232) note some of common business' market strategic issues which relate to business failure are: improper market position, which refers to the offering of something that does not fill any gap or is not needed; poor relationships with suppliers; investing in distinct business field that has no relevance to the actual business on hand; and unrealistic and unfounded expectations of the market potential.

Considering the above, it may be said that effective strategic management decisions are crucial to the success of a business and can prevent business failure. This statement is supported by Balcaen and Ooghe (2006:83) who claim that a business can be viable with considerable market share and growth opportunity as a result of its good strategic approach to the market. Arasti (2011:7488) agrees that the wellbeing of a venture is greatly influenced by the business owner's aptitude for achieving profit and financial sources within the operating market.

A study conducted by Ooghe and Prijcker (2008:237) in Belgium found that several market environmental factors could push small businesses to failure, including lack of competitive advantage, non-satisfied customers, high cost of raw materials, and suppliers and banks losing trust. Holt (2013:61) argues that increase in bank interest rates, less demand for products or services and recession in the industry are significant factors which contribute to business failure. The researcher emphasises that market environment greatly influences the viability or failure of businesses.

A) Competition factors and effects on small business failure

Globalisation is a phenomenon that greatly increases competition in the marketplace and advanced technological communication tools now inform countries all over the world of foreign products. This facilitates the introduction of these products into different global economies. However, Ooghe and Prijcker (2008:237) found that challenges facing small businesses in developing countries include the lack of capacity to effectively position their businesses in the market; to innovate and to implement new technology; and many small businesses lacked a strategic advantage over competitors or the capacity to successfully overcome competition from foreign companies. It was found that several small businesses lagged behind, as a result of selling or producing the same product as their competitors, rather than diversifying and creating a competitive advantage (Herrington, 2014:6).

Honjo (2000:571) opines that the challenge of being a new player in an established market, and facing strong competition, increases the risk of this new venture failing. This opinion is supported by Balcaen and Ooghe (2006:83) who argue that small businesses that are mostly vulnerable to failure are found in an industry where a few large firms totally dominate the market, leaving the small business with very little market share. In this regard, large firms have the capacity to reduce price which would possibly cause a small business to close because of lack of resources to compete in a price war.

According to Barringer and Ireland (2010:186) three types of competitors exist in a market:

- Direct competitors which are businesses that offer identical or similar products to other businesses in the same sphere;

- Indirect competitors which are businesses that offer a similar product which can be substituted for your product; and
- Future competitors are businesses that currently do not offer an equivalent product but may enter the same market in the future.

B) Customers and their effect on small business failure

According to Chiaravalle and Schenck (2007:2) and Dakora (2007:6), a customer is an individual who buys a business product/products for own consumption or for consumption by others. The researcher describes customers as parties who consume products and have the ability to choose between different products.

A business and its products or services exist for the customers, therefore heeding customers' needs or wants should be a strategic point for the long-running success of the business. Ooghe and Prijcker (2008:237) maintain that ignoring customer complaints can decrease the demand for a product and customer dissatisfaction can lead to business failure. Balcaen and Ooghe (2006:83) and Lamb, Hair, McDaniel, Boshoff and Terblanche (2008:167) agree that businesses with a concentrated customer base may suffer if the product demand diminishes or the market is invaded by businesses competing in the same industry. Businesses are customer-dependent and risk failure if the main customers are influenced to change suppliers or terminate their relationship with a supplier because of new management (Arasti, 2011:7490: Krishnan, Lee & Patatoukas, 2014:7).

Considering the above, small business managers should not neglect the importance of delivering quality product or service to customers, knowing their needs and wants, cultivating product awareness, or seriously considering a suitable price strategy, as customers are very sensitive to these factors. Hence, when customers demand a specific product or service from a business and this demand is met, it creates customer satisfaction and trust, hence their needs and wants must not be neglected.

C) Suppliers and their effect on small business failure

Suppliers are the entities who supply the raw materials or any other input needed by a business to make up the end product. Suppliers are in a position of power and it can become risky if the supplier uses this power against customers (Barringer & Ireland, 2010:179). It is risky for a small business to rely completely on a single large supplier or sub-contractor for its main inputs because a negative turn of events in the supplier's business would negatively affect the small business (Arasti, 2011:7490; Balcaen & Ooghe, 2006:83). In addition, the power of suppliers may increase if their products or services are highly differentiated from competitors, standing as fundamental input to customers and are associated with high switching costs (Keegan & Green, 2011:521-522). With the above favourable leverage, suppliers can easily deal legally or illegally with customers, raise prices, reduce product quality, introduce vertical integration, or end the business relationship with a customer due to mistrust (Frynas & Mellahi, 2011:86-88; Ooghe & Prijcker, 2008:237).

D) Creditors factors and effect to business failure

According to Flynn *et al.* (2005:1-9), creditors are people or entities that lend capital to an entrepreneur's venture with the expectation of the loan being repaid, with interest, within a fixed time period. Due to the fact that their money is at risk, they are tough and the main focus is on the ability of the business to repay its debt in cash by the due date (Flynn *et al.* 2005:1-9). Creditors are likely to spend time and energy on recruiting potential managers or being on the board of advisers to businesses in which they invested large sums of money (Barringer & Ireland, 2010:323). However, if the business fails to repay the monthly loan repayments as agreed, investors can bankrupt a business (Dimitras, Zanakis & Zopounidis, 1996:487; Nieman & Nieuwenhuizen, 2009:126; Barringer & Ireland, 2010:346).

2.4.3 Business functional resources and their effect on small business failure

Business resources comprise all components that constitute the structured system of a business. Such structured system is referred to as the internal environment of the business (van Aardt *et al*., 2008:105). In essence, resources should be gathered by the entrepreneur and combined with his/her own creativity. According to Wickham (2004:256) each of the resource elements of the business internal environment is important and failure to effectively develop, implement or utilise one of these elements can critically affect others.

In summary, resources are crucial for business operations and they can highly influence the success or failure of the business because of the complex relationship and inter-dependence on each other.

Nieman and Nieuwenhuizen (2009:126-128) and Tengeh (2011) maintain that business internal resources can be separated into four groups, being financial, human, physical and information resources. They emphasise that these are the four groups of resources that an entrepreneur would utilise to grasp an opportunity in the market.

A) Financial resources

These are resources denoted as cash or that can be easily transformed into cash, arising from different sources, such as an entrepreneur's own invested money, investors' capital, lenders, business incomes, government support programmes, or other money acquired from different partnership or contracts (Nieman & Nieuwenhuizen, 2009:126). However, the money borrowed from lenders may carry some debt risks to the business, If the business neglects to effectively manage its finances or operations, and fails to fulfil its obligations as per the loan agreement, which often requires repaying the loan with interest, this can result in bankruptcy (Barringer & Ireland, 2010:346). Many small-business owners tend to start a business with insufficient capital and then are unable to continue operations after the initial stage due to cash flow shortage. Inadequate financial resources is the reason why many new businesses fail (Barringer& Ireland, 2010:341).

B) Human resources

Human resources refers to all the personnel who conduct the tasks of a business. These are critical resources to the business, their general understanding of the business will ultimately impact on the business' strategic decisions and highly influence its failure or success (Nieman & Nieuwenhuizen, 2009:127). People have to bring expertise and information to the business, relevant to the business culture and business process, or endeavour to develop new abilities as the business grows (Venter *et al.,* 2008:413).

C) Physical resources

According to Venter *et al.* (2008:413), physical resources can be described as tangible resources which relate to the 'touchable' resources of the business, such as the building, any equipment and machines. It involves the business facilities and instruments used for running the business and manufacturing the products. Generally, the failure factors associated with physical resources can be obsolete equipment, machinery breakdowns or damage to any item of equipment that may prevent the business from timeous delivery of quality products or services, and can result in dissatisfied customers who change to another supplier (Nieman & Nieuwenhuizen, 2009:127). Unsuitable business location and forces of nature, such as flood, can also negatively impact on business performance.

D) Information resources

Information is an intangible resource, such as the brand name, scientific or technical knowledge, databases and business culture (Venter *et al.*, 2008:413). According to Nieman and Nieuwenhuizen (2009:128) information resources refer to the overall information needed for business internal operations and market strategic influence, such as information on management functions, customers, suppliers, competitors and macroeconomic environment. Therefore, one may accept that reliable information is important in acquiring knowledge to assist in sound management decision-making, effective communication and negotiation. According to Cronje *et al.* (2000:108), failure to acquire relevant information on business management and business environmental factors can prevent managers from making effective decisions and/or identifying opportunities, challenges and threats that may affect the business and which in turn could cause failure.

The above discussions emphasise the importance of this study, which aims to present information to current business owners/managers and future entrepreneurs regarding the critical factors which contribute to small business success or failure in Angola.

2.4.4 Macroeconomic environmental factors and business failure

This sub-section looks at macroeconomic environmental factors and their effects on small business success or failure. According to Cronje *et al.* (2004:87) the macroeconomic environmental factors are heterogeneous, represented by distinct sub-environments: political, economic, social, technological, physical and international. Cronje *et al.* continue to say that in effect, the macroeconomic environmental factors only possess an indirect influence to the business. This opinion is supported by Nieman and Nieuwenhuizen (2009:323) who state that the negative impact of one of macroeconomic environmental factors is unlikely to cause business failure but if the negative impact affects other external factors that are interconnected, this can badly affect the business and result in total failure. Although the view of Nieman and Nieuwenhuizen may be true, Everett and Watson (1998:371) argue that factors associated with small business failures depend on the classification of failure, and it appears that between 30% and 50% are caused by economic factors. This, however, raises the question of whether the high number of business failures in a determined economy is due to the impact of external economic factors or the internal environment of the business itself.

In addressing the above concern, Hussain (2003:23) argues that the risks caused by poor economic conditions can have a high impact on a small business' financial performance; therefore, to avoid it to becoming a failure, management has to strive to mitigate the risks or rapidly recuperate from the effects. This argument is supported by Holt (2013:61) and Ooghe and Prijcker (2008:238) who identify some macro environmental factors that greatly influence business failure, including recession, stricter regulations, poor economic conditions, lack of government support and to some extent, economic changes in foreign countries.

Considering the above, it must be accepted that macroeconomic environmental factors can cause business failure and poor economic support to a business is of great concern.

A) Political environmental factors and business failure

Some political climates may cause risks for the entrepreneur in continuing operations or dismissing certain opportunities. This could occur in a country which is at war or experiencing political adversity. Frynas and Mellahi (2011:47) argue that within the political environment, issues such as new business-related laws and regulations, changes in the levying of taxes, new amendments for tax base expansion or changes in labour laws such as minimum wages, can significantly affect small business profitability. In contrast, Barringer and Ireland (2010:72) believe that trends in the political environment can positively or negatively affect small businesses, such as the addition or removal of relevant benefits they acquire from government agencies. Another issue to consider is trade union actions, which may also impact on management strategic decisions, concerning issues such as wage increases, workplace restructuring and retrenchments.

B) Corruption factors and business failure

According to Henriques (2007, cited by Frynas & Mellahi, 2011:51-52), a country with a high level of corruption can badly influence the business macro environment, through higher cost of start-up capital, poor economic infrastructure, disregard of regulatory systems, increased rates of criminality and taxes, which creates a difficult environment in which to operate and sustain a business. Due to the protracted negotiations and barriers presented by a corrupt system, many entrepreneurs or managers are persuaded to participate in corruption in order to sustainably compete in the market (Frynas & Mellahi, 2011:52). Corruption is illegal, unethical and dishonest behaviour that can cause a small business to fail if the business owner does not comply with the corrupt demands. For example, an entrepreneur who refuses to pay bribes to a corrupt authority may be accused of bribery, of violation of labour laws, of non-compliance with the basic conditions of employment or other illegal conduct.

C) Technological and innovation factors and business failure

According to Venter *et al*. (2008:436) technology refers to the application of scientific knowledge to the business operation process, services or manufacturing. The application of technology in a business should aid in the innovation of new products or services, or in improving existing products or services and in design, organisation and distribution of products (Lamb *et al.,* 2008:413; Venter *et al*., 2008:440). From analysis of the above views it may be deduced that it is crucial for a business to keep abreast of technological developments in today's competitive markets, in order to remain competitive. One such argument is put forth by Strydom (2011:38) who claims that a business that neglects to keep up with technological development will lag behind its competitors and fail.

Strydom (2011:38) further defines innovation as "the process through which new ideas and invention become an operational or business reality". According to Venter *et al.* (2008:441) it is a process which also combines technology within it. Given these views, one can say that innovation is the action of creating or adding new and functional concepts to business operations. Still on innovation, Venter *et al.* (2008:441) identify two types of innovations that are utilised within business operations:

- Process innovation which encompasses the systems used to develop products or services. It involves a set of procedures which, with the aid of science, aims to devise new methods of doing things.
- Product innovation which involves improving or changing features in existing products.

According to Ooghe and Prijcker (2008:237) and Arasti (2011:7488), businesses that lack capacity to innovate, fail to move with the fast developing technologies or to implement new technologies, are at risk of failure as technology is the gateway to innovation, to new products, services and methods for generating business. Innovation and use of technology holds great benefits for a business. Innovation and technology can enhance a business' position and competitiveness the market (Lamb *et al.,* 2008:396).

An example of technology is computers. Computer systems and many other technological outcomes have brought about faster and improved management results. Using the Internet with its various search engines assists businesses in sourcing suppliers or new customers and electronic mail (e-mail) is extremely fast and has greatly enhanced communication with suppliers and customers around the world. Computers help managers to more efficiently accomplish their tasks, such as planning, interacting with staff, controlling or developing an employment database. Innovation is the generation of a new idea or adaptation of an existing concept, to a new market, and can involve technological derivatives like machines and equipment, to convert the idea into a new product, service or method (Venter *et al.*, 2008:441).

D) Crime and business failure

Business crime, regardless of its type and seriousness, has a major effect on business viability. According to SBP (2008:4), a crime that is perpetrated against a small business could cause total business failure due to the major loss of business assets, or it can be a more gradual process, for instance due to ongoing theft by employees. Similarly, Mbonyane and Ladzani (2011:558) explain that when a small business is attacked by criminals it can affect the business so severely that the business is unable to continue operations, or the business is left with massive debts and liabilities. If it is not assisted financially by other financial sources such as bankers and/or government support agencies, the effects can cause the business to fail.

Although small businesses operating in the townships are the most vulnerable to crime because of lack of security and means of preventing crime, crime also has a moderate effect on businesses operating in urban and inner city areas (SBP, 2008:25). Considering these opinions, it is clear that crime occurs everywhere, as the current world economic environment fosters growing instability. Several authors opine that the types of crime from which small businesses mostly suffer are burglary and robbery, petty theft and shoplifting. However, counterfeit money, credit card fraud and hijacking are also of major concern to business owners (Mbonyane & Ladzani, 2011:553; SBP, 2008:21). Large companies are also targeted by criminals but often this is in the form of cybercrime committed through the Internet, credit card fraud and theft by employees. This argument is supported by Blount (2003:44) who states that the increasing struggle with family responsibilities, rising inflation, medical issues, inadequate income, excessive debt, dissatisfaction in the workplace and dishonesty, employers are most likely at risk of theft by employees.

E) Cultural factors, entrepreneurial experience and business failure

According to Wong (2005:267), culture refers to the social customs, beliefs, values, knowledge and experiences associated with a particular group of people, and which are passed down from generation to generation. Frynas and Mellahi (2011:196) state that culture involves the "various artefacts shared by members of the same nation". The researcher describes culture as a set of collective human features that describe a determined community.

Venter *et al.* (2008:86) state that: "The aggregate level of entrepreneurial activity is uncertain and heavily influenced by cultural traits." Such cultural traits are linked to cultural principles that involve entrepreneurial drive and entrepreneurial public-minded practices that drive entrepreneurial activities. Furthermore, Venter *et al.* (2008:86) claim that every nation may practise entrepreneurship but there should be comparative differences between them with regard to the ways of emphasising the importance of it, passing on the relevant entrepreneurial knowledge and experiences, and enhancing the necessary entrepreneurial structures that enable the practice and enhance the viability of it. Similarly, several authors suggest that it is crucial that successful entrepreneur role models must transfer the relevant entrepreneurial knowledge and practices to others within a community, and the absence of this can influence business failure (Da Rocha, 2011:26; Mendes, 2012:14; Herrington, 2014:7). From analysing the above views, it can be concluded that those factors should include some of the reasons why some nations have higher rates of business success or failure than others. This is supported by Venter *et al.* (2008:86) who believe that the failure of emphasising the importance of entrepreneurship in the culture of a nation, is as detrimental as crime, corruption or lack of support structures are to the success of a small business.

F) Globalisation factor and business failure

According to Frynas and Mellahi (2011:26), globalisation refers to various practices covering economic, political and cultural change which reinforces political interdependence across countries. Similarly, Cronje *et al*. (2000:90) argue that countries across the world have become more reliant on each other with regard to "technologies, economies, politics and raw materials". Frynas and Mellahi (2011:25-26) further explain that globalisation has increased business activities between countries and effectively has integrated economies, industries, markets, cultures and policy-making around the world.

Cronje *et al*. (2000:90) further state that many large businesses from different countries operate internationally, sharing various management and business experiences, skills and high-tech equipment and this gives them a competitive edge in the host market. As a result, many small businesses are unable to compete with those large companies that offer similar products, because of lack of skill to improve products and resources, and to implement high-tech equipment.

2.5 Review of success factors pertaining to small business

According to Nieman and Nieuwenhuizen (2009:310) business success is the achievement of previously set objectives, meaning that it takes place when a venture "sets out" certain objectives and in the long run starts achieving them through a proper exploration of its business resources, including financial, human, information and other assets. It is thus, a measure of an entrepreneur's achievement, given that the need to be successful is one of the main factors that drive entrepreneurs into businesses (Wickham, 2004:241). This is further explained by Wickham (2004:142) who states that success can be measured by a number of factors such as achievement of stakeholders' expectations—surviving and prospering, generating resources, achieving a stable cash flow position and being able to reward its stakeholders. Other factors include a favourable comparison to competitor performance, such as financial performance, profit margin, position in the market, sales volume, customer satisfaction, product quality and employee satisfaction.

2.5.1 Factors in market selection

Countries across the world present different market environments. Comparatively, many of them strive to build essential entrepreneurial frameworks to better support local entrepreneurs, while others seem to neglect the fact (Venter *et al*., 2008:86). Considering the above discussion, it may be said that each country presents different market challenges to its businesses because of non-availability of certain supporting structures that should contribute to the viability of the business. According to Nieman and Nieuwenhuizen (2009:127-128), there are certain factors that entrepreneurs should consider when entering the industry and selecting a suitable market environment. These are:

- accessibility to the market, which verifies the level of barrier or restriction in the initial phase of starting a business;
- availability of raw materials;
- availability of labour and skills;
- infrastructure (transport, water and electricity supply, existing business environment); and
- climate.

2.5.2 Model for small business development

Figure 2.1 below illustrates a model for healthy entrepreneurial development. This model suggests that three inter-related elements are a prerequisite for positive entrepreneurship, economic growth and development. These elements are the presence of entrepreneurial orientation, a co-operative environment and a supportive environment. Furthermore, Venter *et al.* (2008:91) state that the main elements that should be available for a favourable entrepreneurial environment, in order to increase and encourage viable entrepreneurship activities in an economy, are a proper physical and commercial infrastructure, favourable socio-economic conditions, simplified business rules and regulations, an education and training programme, institutional support and political stability.

A) Entrepreneurial orientation

Entrepreneurial orientation refers to close assistance and facilities for transferring of knowledge and skills to the entrepreneur, which may ensure the viability and growth of a business and foster sustainable development. Its major factors include: culture, family and role models, education, work experience and personal orientation.

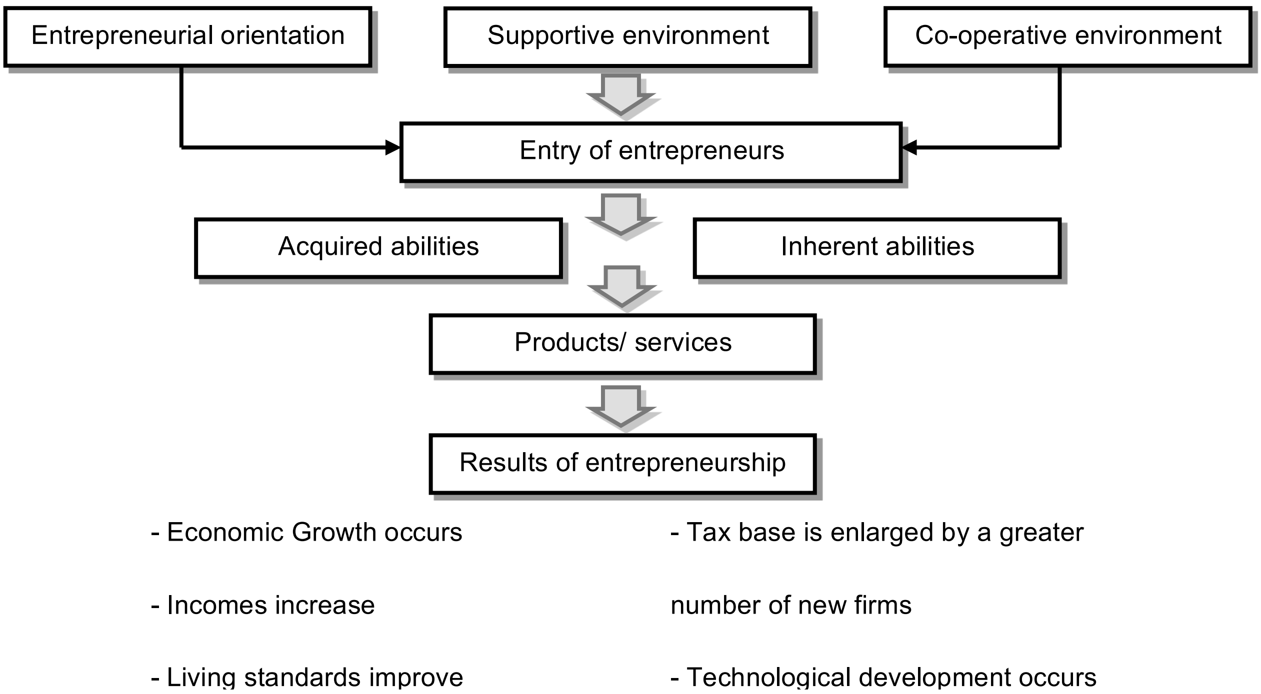

Figure 2.1: Model for small business development (Nieman & Nieuwenhuizen, 2009:11)

Culture

Within a social community certain identifiable characteristics represent entrepreneurial activities. According to Venter *et al*. (2008:90), communities that value and have an entrepreneurial culture are more likely to be successful in business because:

- They present modest individualism and collectivism in their entrepreneurial activities.
- They present a minimum level of business ambiguity.
- They present a high number of men that have been engaged in entrepreneurial activity.
- Lower power distance has been positively associated with entrepreneurial activities. They associate their long-term objectives with entrepreneurial activity.

Family and role models

Practise of entrepreneurship by family or role models and the ability to transfer this entrepreneurial knowledge encourages and assists an individual to become a successful entrepreneur.

Education

The art of entrepreneurship can be learned and developed through education; therefore, universities and other educational institutions can provide valuable additional entrepreneurial capacity such as skills and knowledge development.

Work experience

Work experience gained from previous employment is valuable for entrepreneurial orientation, as the entrepreneur can apply this work experience in his own business.

Personal orientation

Personal orientation such as being a creative and innovative person, risk orientation, being independent and using initiative, are attributes that may lead an individual into entrepreneurship (Nieman & Nieuwenhuizen, 2009:14).

B) A supportive environment

A supportive environment is of high importance for sustainable entrepreneurial development. This includes business advice, counselling, mentoring, finance facilities, training, incubators and clusters, political stability, reduced red tape and infrastructural elements of available water and electricity supply, roads and telecommunications.

C) A co-operative environment

Access to tertiary education, private agencies and other institutions such as non-government organisations, should be available for support in training and skills development programmes. This is important in encouraging entrepreneurship and in providing social research pertaining to local entrepreneurial trends.

2.5.3 Small business start-up success factors

According to Zimmerer and Scarborough (2008:99), businesses intending to operate within an industry should consider certain factors that eventually may determine success. They can position themselves better in the market if extensive research is done to uncover these factors, learning how to master them and capitalising on them to compete effectively in the market. Wickham (2004) explains that a number of factors that are crucial for the new business to succeed include the following:

- Identify an opportunity and carefully explore it. The identified opportunity should be realistic, thoroughly scrutinised or a feasibility study conducted. The product or service to be offered should be of value to fill a gap in the marketplace and there should be a significant number of customers with adequate income to purchase the products. The opportunity should be comprehensive and be able to align with the objectives of the business.
- The business should be innovative, operate in a unique way and do things differently to competitors, while remaining pertinent to the identified opportunity.
- The entrepreneur should bring the necessary skills to the business. The entrepreneur should possess the required knowledge and skills to start the business. He/she must be well informed about the industry, have knowledge of the product or service, possess overall management skills and the ability to quickly learn any new skills as required by the business.
- The business has competent human capital. The entrepreneur brings people with skills and knowledge to complement his/her own, people with specialist knowledge of how to produce the product, deliver the service and make the business grow.
- The young business must possess a culture of learning and also regard change as an opportunity. Staff should be motivated to perform in the best interests of the business. Because of the disadvantage of being new in the market, the business must do things in a fresh and innovative way.
- The business must utilise use networks wisely and respect the position of each of the business' collaborators in the market, such as customers, intermediaries and suppliers, and to avoid treating them as "competitors for resources". The business must seek to sustain the networks for future support as the business grows.
- In the start-up stage of a business access to capital is one of the greatest concerns for the entrepreneur. Without capital it is impossible for the business to grasp and capitalise on an opportunity in the market. The entrepreneur will need to raise capital, attract investors and endeavour to obtain sufficient capital as needed by the business to grow.
- The objectives of the business and stakeholders' expectations must be clearly specified. Elements such as vision and mission must be relevant to the nature of the business and the short- and long-term objectives of the business must be clearly defined. The stakeholders' expectations are tools to better understand success (Wickham, 2004:244-246).

In addition to the above, Nieman, Hough and Nieuwenhuizen (2003:277) state that: “In business the aim is to perform well, and the following signs will point to a successful venture”:

- An active brand name with connection to customers;
- A comprehensive financial system control that details loans and owner's equity;
- A strong cash position;
- Good profit with considerable return on investment;
- Expandable market with potential to quickly grow the business;
- Constantly seeking to acquire proficiencies from experts in order to lead the market;
- Persistently seek to develop a clear financial plan;
- Create a strategic plan to gain customers' trust;
- Create a unique value-added strategy for a sustainable competitive advantage; and
- Good management capability and experience.

2.5.4 Characteristics of successful entrepreneurs

Nieman and Nieuwenhuizen (2009:14) identify certain attributes or characteristics that many successful entrepreneurs have in common. These are:

- Creativity and innovation: involves the ability to generate new ideas combined with useful mechanisms to solve problems in the business or grasp an opportunity. Innovation is the action of transforming new ideas into useful results.
- Risk orientation: involves examining the risks thoroughly, measuring the pros and cons of an opportunity before taking action.
- Good human relations: involves building useful networks, having good interpersonal skills, communication skills and conflict management skills.
- Positive attitude: is a positive attitude and approach toward the business, self-confidence in what you are doing.
- Perseverance: is the ability to continuously strive to overcome physical or psychological obstacles, problems or setbacks.
- Commitment: is the dedication to complete involvement and responsibility pertaining to the needs of the business.

Furthermore, Rae (2007:161) specifies several other attributes that also support business success:

- Good leadership: focuses on business goals and is committed to achieving them, constantly scans the environment for opportunities that align with the vision of the business, has good human relations, serves as an example, manages and represents the business in the outside environment;
- Strong culture: evolves norms specific to the business, such as values, attitudes, procedures and presence which sets the business apart from its competitors;

- Clarity of purpose: identified opportunities are defined specific to customers' needs, the vision and mission are clearly set to achieve the intended goals;
- Real customer focus: the focus of attention must be centred on customer satisfaction, to fulfil their needs and wants;
- Readiness to reinvent: the market is constantly changing and therefore the business must be flexible and adaptable, welcome innovation or improvement and facilitate customer input into products, (Rae, 2007:161).

Considering the various factors for success as noted above, it may be concluded that there is no "one size fits all" solution that underpins success. Rather, there are various different factors relevant to different businesses. The researcher believes that an understanding of all these factors may reduce business failure.

2.6 Conclusion

This chapter reviewed literature on the phenomenon of business failure as well as various other concepts pertaining to small business failure. It provided a review of the concept of failure, small business failure, theoretical models of failure, the internal business, the market and macroeconomic components and their effect on the failure of businesses. Furthermore, this chapter also reviewed the factors pertaining to business development and viability. Although failure can be a sudden occurrence, success or failure depends on the business itself—how well is attention paid to each of the principles of management and the internal factors of its environment, as well as depending on how the venture conducts its daily operations and makes decisions pertaining to risks presented by its external environment.

It can be drawn from literature reviewed that the causes of business failure tend to vary from one economy to the other. This is partly due to variances in the political, economical, cultural and social environment that impacts on business activities. The factors that cause the failure of small businesses in Angola have not been extensively researched and this informs the current study. The following chapter reviews literature specific to small businesses in the Angolan economy.

CHAPTER THREE

LITERATURE REVIEW: THE ANGOLAN ECONOMY

3.1 Introduction

The previous chapter reviewed literature on business failure and business environmental factors associated with business failure, as well as factors influencing business development and viability.

This chapter focuses on a literature review specific to the Angolan economy and is set out as follows:

- The Angolan economy: an overview
- Perspectives of small business in the Angolan economy
- Government support measures for small enterprises in Angola
- Opportunities for small enterprises in the Angolan economy

3.2 The Angolan economy: an overview

In recent years, Angola has significantly strived to ameliorate its macroeconomic situation. Since the end of the civil war in 2002, the economy has improved in various ways, starting with the construction of new infrastructure, the establishment of the second and third political elections (2008 and 2012) and the restoration and creation of new businesses. These and other improvements such as the renovation of interprovincial roads and railway lines are some of the notable improvements achieved in the country. The Angolan inflation rates from 2011 to 2013 has declined significantly from 11.38% to 7.69% and reached 7.19% in September 2014, within the Angolan National bank rate expectation of 7- 9% (IMF, 2014:4-5; BNA, 2014). However, even though economic changes are visible in Angola, much still has to be done, mainly due to the socioeconomic and diversification challenges that the economy is presently facing.

Unemployment remains extremely high in Angola, estimated at 26% (UNIDO, 2013; Africa Economic Outlook, 2014:2). Despite the unemployment challenge, from 2003 to 2013 Angolan GDP per capita has increased by 616% from 920.10 USD to 5668.11 USD. Although this indicates a significant growth in the economic wellbeing, still the Angolan current standard of living remains extremely low when compared with the 2013 world average GDP per capita of 10514.33 USD (World Bank, 2014a). Luanda, the capital of Angola, ranked number 1 in 2013 and 2014 as the most expensive city in the world (Mercer LLC, 2014). According to UNDP (2014), the 2014 Human Development Index (HDI) report indicates that Angola attained the value of 0.526 HDI for 2013, in the low human development category, ranking at 149 out of 187 countries. This is supported by the studies conducted by IMF (2014:4) and Angola, INE (2013:31) which found that nearly 37% of the Angolan population lives below the poverty line of 2 USD per day and lacks resources to ensure a basic livelihood and welfare. The above studies also found that while 58.3% of the poor are located in rural areas, 18.7% are found in urban areas, which highlights that Angolan income distribution is amongst the most unequal in sub-Saharan Africa.

It may be deduced from the foregoing discussion that challenges such as high unemployment rate and low standard of living continue to hinder socioeconomic development in Angola. Correspondingly, it is apparent that poverty conditions in Angola are found predominantly within communities. This indicates lack of improvement in people's wellbeing such as health, education, income and access to welfare. As a result, this could decrease the demand for businesses products or services due to the fact that there is a less disposable income available in the economy.

According to de Oliveira (2011:303), the pertinent reasons for the current discrepancies in the Angola macroeconomic performance can be partly attributed to the adverse effects of the civil war which raged from February 1975 to February 2002; the exodus in 1975 of approximately 350 000 former Portuguese colonists who controlled the economy; and the negligence of the government to efficiently manage the country. Furthermore, Bloom, Canning and Chan (2006:IV) opine that tertiary education was neglected as a tool to support economic growth and the failure to adjust fiscal policies to capitalise on natural resources to strengthen the economy and sustain public investment to foster diversification, have hindered the country in achieving positive economic growth.

3.2.1 Education in Angola

According to CIA (2013) about 30% of Angolan citizens over the age of 15 years are illiterate, with the majority being women. These people could contribute knowledge and skill to the economy. In the same notion, Angola has been hindered by a shortage of skilled people, including entrepreneurs, who could have served as role models (Da Rocha, 2011:26; Herrington, 2014:7; Mendes, 2012:14). According to Gonçalves (2010:76), some of the reasons that have contributed to the shortage of skilled people and downturn in the economic production of Angola are the exodus of skilled people that left the country after independence and during the war, and government negligence in providing good education after the war. This is supported by Mateus (2012:3) who argues that people are likely to leave an economy due to factors such as volatile economic or political conditions, ruined infrastructure or unsatisfactory social services. Bloom *et al*. (2006) argue that the lack of considering higher education as a tool to foster economic growth and alleviate poverty prevents many African countries from achieving their greatest possible economic growth. In the same vein, Zinga *et al*. (2013:498) opine that lack of business education and training in Angola has diminished the probability of many entrepreneurs acquiring the necessary management skills to sustain their enterprises. However, ensuring good education, starting from the baby grades and continuing to higher education is essential for any economy that aims to grow, develop and compete effectively.

On the topic of education, one noteworthy Angolan government support programme relates to the inclusion of the entrepreneurship programme in the ongoing secondary school curriculum reform in 2009, with the objective to excite entrepreneurial attitude, knowledge and skills in young students, and develop the intent to create new businesses and bring about creativity and innovation in the market (Angola. MED, 2008). A similar programme in tertiary education would serve as excellent means to foster capacity in citizens, knowledge, skills, and understanding of the required resources in order to undertake new ventures, sustain businesses and contribute to economic growth and development.

3.3 Perspectives of small business in Angolan economy

This section reviews the dimension and effects of small business operations in Angola and the overall impact on the economy of small businesses.

3.3.1 The attractiveness of small businesses

Several authors argue that small businesses have been the source of job creation, economic growth and poverty alleviation in several economies (Clark *et al.*, 2011:3; Dantels, 1999:63; Mahadea & Youngleson, 2013:33; Nichter & Goldmark, 2009:1454; Singh & Belwal, 2008:121). Even so, some authors disagree that MSEs are the fountainhead of job creation (Davis, Haltiwanger & Schuh, 1994:13). Although the latter may be true, sources below prove the positive results that MSEs have contributed to other economies.

Findings from studies conducted in five developing countries in Africa, that is Botswana, Kenya, Malawi, Swaziland, and Zimbabwe, concluded that about one third of all new jobs in these countries are created by MSEs (Mead & Liedholm, 1998:71), and that they employ nearly twice the number of people that medium and large enterprises employ (Mead & Liedholm, 1998:62). In the USA, it is noted that from June 2009 to June 2010 small businesses accounted for 60% of new jobs and are responsible for about 48.5% of private-sector employment (SBA, 2012). Similarly, small businesses in Australia from 2009 to 2010 were accountable for 35% of the total gross domestic profit (GDP) and by the end of June in 2010 they had contributed 47.2% of employment (Clark *et al.*, 2011:3).

However, considering the above positive effects that small businesses have in contributing to other economies, this should also be the case in the Angolan economy. Thus, the 2011 statistics of tax revenue reveals that Angolan MSMEs contributed a total of 5% to the country's revenue (MINEC, 2012:7), which figure is very low, particularly for a developing country. With this in mind, it is apparent that the Angolan government has not explored economic income from MSMEs to increase its revenue. The MSME revenue base is considered as one of the best ways of generating government resources and improving economic growth. This is supported by Aguilar and Goldstein (2009:1546) who argue that government expenditure in Angola is mainly funded by means of extraction and exportation of mineral resources, and borrowing, but lacks in-depth exploration of taxation and sundry government income. While the oil sector can sustain the necessities of its long-term project, a supplementary financial source is needed for the development, maintenance and recovery of the infrastructure.

In Angola, the oil sector which greatly contributes to the GDP, is estimated to employ a low proportion of the total formal workforce. The highest contributors to employment in Angola include the agricultural sector and open market. It is estimated that agriculture accounts for 70% of the total employment in Angola (Africa Economic Outlook, 2014:3), a sector which comprises mostly micro and small businesses. According to Singer, Amorós and Arreola (2015:45), the majority of new businesses which open within southern African countries have fewer than 20 employees. Countries such as South Africa, Namibia and Angola have less entrepreneurs (4.5%, 3.1% and 6.1% respectively) employing from 20 people and above.

Considering the above, a proper exploration of small businesses may serve to increase employment, decrease poverty and increase taxes to cover many public services expenses such as health, education, police and defence, and infrastructure recovery and development.

3.3.2 Trade in the Angolan economy

Trade in the Angolan economy has been predominantly driven by the exportation of crude oil and importation of consumer goods. According to Aguilar and Goldstein (2009:1547), since the discovery of oil in 1955 in the onshore Kwanza valley, crude oil became the main export focus in the early 1970s while other productive economic sectors were downsizing. This is supported by Gonçalves (2010:76) who states that upon the independence of Angola "…the surviving private sector was neglected." The then-government failed to re-establish the diverse productive economic sectors, even the small businesses. With the total withdrawal of the colonists the big companies were nationalised. Many of them were forced to close down in the period of war because skilled people preferred to leave the country, which decreased economic production and the country became more dependent on imports. This situation positioned Angola as a high importer of all the various products consumed in its markets, importing approximately 75% of all products and services in 2001 against 41% in 2013 (IMF, 2014:9; World Bank, 2014a).

Still today, the oil fields are the most important feature of Angola's economy, accountable for 80% of government revenue and 95% of total exports (Africa Economic Outlook, 2014;

Jover, Pintos & Marchand, 2012:8; World Bank, 2014b). The high dependency on the oil sector argued the need for diversification of the economy into more robust private sectors, to ensure the sustainable growth of the country. In fact, most small businesses in Angola are positioned in consumer goods, starting from wholesalers to retailers, importing and commercialising the whole range of products. This last argument is supported by Jover *et al*. (2012:80) who opine that post-war, the number of wholesalers and retailers operating in diverse sectors has constantly been increasing. Though informal trade is ever-present, several supermarkets have entered into the market in recent years, stocking both national and international brands. Given the above views, it is apparent that there are only a few small businesses engaged in manufacturing activities in Angola as importation dominates the economy. According to Africa Economic Outlook (2014:3) the manufacturing sector in Angola is mainly driven by wood, cement and electrical materials and is accountable for 6.5% of the economic growth in 2012 and 8% in 2013.

In the Angolan market, national citizens entering the business arena are more likely to start in the hospitality sector, such as a restaurant and the hotel business; or in the beverage sector, for example a snack bar, a bottle store; or a service-related business, such as a laundry, service station, construction or education. According to Jover *et al*. (2012:83), it is considered that after South Africa and Nigeria, Angola is the major market consumer of alcoholic beverages in sub-Saharan Africa.

The agriculture sector constitutes another powerful economic force due to the fertile land and the favourable climate of Angola. Jover *et al*. (2012) believe that this sector has been neglected for several decades but is now showing rapid growth in the form of large agro-industrial companies, new infrastructure development and is increasing the income level of the population. Africa Economic Outlook (2014:3) reports that in 2013 agriculture grew by approximately 9% and this sector is estimated to be accountable for 70% of the total employment of Angola.

Another notable business sector is telecommunications. Competition in the telecoms market is minimal at present but telecommunication services in the mobile sphere have improved considerably. Mobile network coverage exists in most parts of the country, with approximately 13 million subscribers, making Angola one of the largest players in the mobile telecoms market of sub-Saharan Africa (Jover *et al*., 2012:2).

3.3.3 Market competition amongst small enterprises in Angola

According to Hernandez *et al.* (2013:40-41) most of the MSMEs in Angola are limited in growth from their initial category to another and their slow growth allows the minor cluster of large businesses to monopolise the market. This greatly reduces competition between them, resulting in low market share in the economy. Micro and small businesses form the largest business cluster, occupying around 89% of the total businesses operating in Angola, while the medium and large companies account for only 11%. Herrington (2014:6) claims that many small businesses in Angola lack strategic approaches to excite competition and are incapable of using innovative technologies. According to Arasti (2011:7488), in a very competitive industry businesses that lack the ability to generate profits, as well as lack the competency to solve financial problems and to keep abreast of fast-developing technologies, cannot be viable and expose themselves to the possibilities of failure. Under those circumstances, Hernandez *et al.* (2013:41) conclude that lack of funds is the main factor which prevents Angolan small businesses from being innovative, improving their products or services, and growth.

Notably, the large businesses in Angola dominate their sectors of operation and have the lowest level of competition; this paradigm prevents them from delivering an exceptional product or service quality, or increasing their proficiency for innovation, and which also empowers them to charge excessively high prices for product.

3.3.4 Obstacles to small business in Angola

Apart from the effects of war, other elements that hamper Angolan economic performance are a lack of qualified human resources and the persistence on extractive activities (Gonçalves, 2010:73). Analysing Gonçalves' view, one can see that the power of education and small businesses has been overlooked in Angola, while the government should take into account the current and future trends needed to sustain economic development. By evaluating the predominant obstacles in the market, Mendes (2012:17) believes that Angola is still saddled with numerous economic factors that excise action from business operations, such as the lack of an effective infrastructure, proper distribution channels and business support programmes, easy access to funding and barriers or restrictions in the initial phase of starting a business. In contrast to the above, Herrington (2014:6) maintains that many businesses in Angola do not see problems with finance and infrastructure conditions. This is also supported by World Bank (2013:54) and IMF (2014:7) who claim that Angola has strengthened its credit system remarkably since 2012, improving in almost all aspects, from the accuracy of credit information to the easier access to credit. This is mainly due to the new government programmes (e.g. Angola Invest) that support MSMEs in order to diversify the economy. Given the above, it appears that access to finance has improved in more recent years.

Studies conducted by the World Bank (2011), focusing on constraints on business environments across several countries in the world, found that about one third of Angolan firms identified corruption as number 1 of the top 10 obstacles which hinder their businesses. Such a finding places Angola far beyond the sub-Saharan Africa average of 7.7% as noted in

Figure 3.1 below. Other significant obstacles that Angolan businesses face include limited access to land and obtaining a business licence/permit.

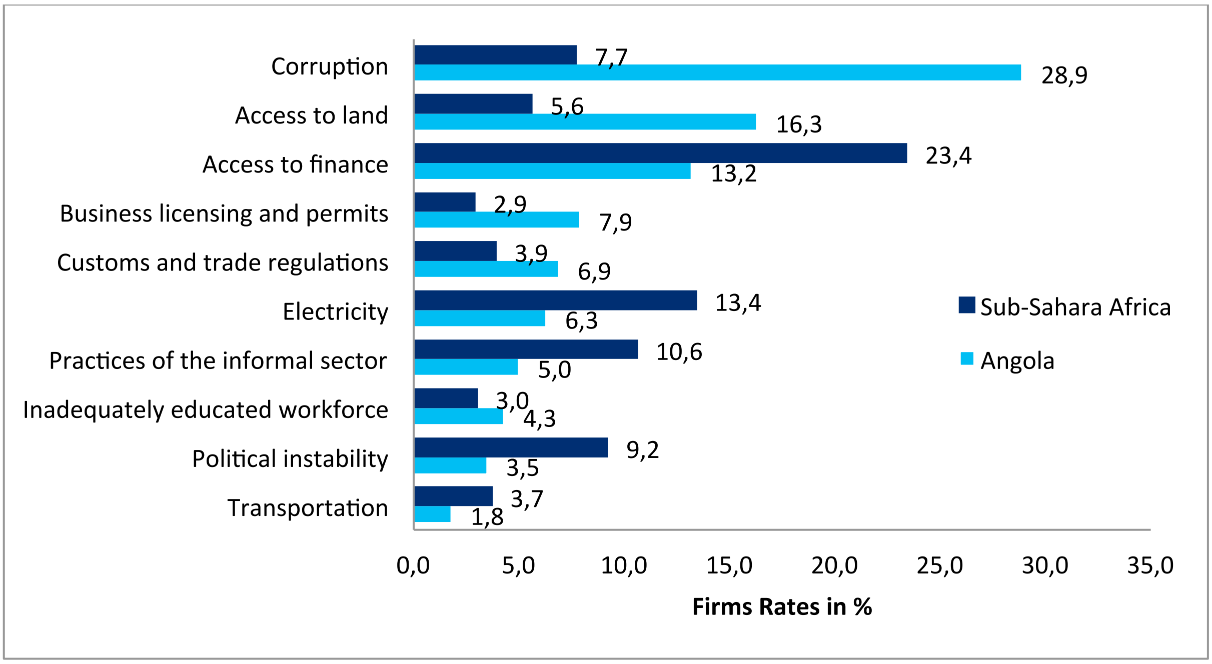

Figure 3.1: Business obstacles in Angola (World Bank, 2011)

According to Jover *et al.* (2012:2), the Angolan electricity sources still remain incapable of supporting numerous businesses and households, and statistics show that about 66% of Angolan businesses rely on their own generators for daily operations. This, however, contributes significantly to the high operational costs and is a serious barrier to expansion, diversification and development of private industry. Brito and Da Rocha Pinto (2010) in evaluating the foregoing reviews, conclude that due to the many challenges and great risks inherent in investment in Angola, potential investors need to acquire local knowledge and adapt their skills to the Angolan environment. Analysing the above, the researcher strongly recommends that culture awareness is vital to improving business management.

According to de Oliveira (2011:296), the hinder of sustainable business environment in Angola are associated to the conformity of the policy-makers from acting actively on the main problems that do not accommodate a healthier trade within the country, encompassing the higher level of corruptions, inadequately educated workforce, customs and trade regulation, bureaucracy in licensing of businesses. This is supported by World Bank (2013:175) who reports that Angola is ranked 11 out of 189 countries with the most difficult environment in which to conduct business. It is a hostile environment in which to start a business and problems include granting of business permits, electricity supply, registering a property, access to credit, protection of investors, taxes, trading across borders, enforcing contracts and resolving insolvency.

3.3.5 Evidence of business failure in Angola

Despite the great effort made by the government, small enterprises in Angola continue to show high rates of business failure. According to the GEM reports as shown in Table 3.1 below, after Malawi, Angola ranked second consecutively in 2012 and 2013 amongst the countries with highest rate of business failures. Angola returned the highest rate of 23.4% in 2008 (Bosma *et al*., 2009:20), and studies over a period of six years show Angola has failed to reduce its high rates to even below average of factor-driven economies (11%), scoring 15.1% in 2014 (Singer, Amorós & Arreola, 2015:81). Herrington (2014:7) reports that this failure rate can be attributed to the civil war (1975-2002) as it was responsible for the mass exodus of skilled people, including entrepreneurs who could have served as role models

For about two decades the Angolan government has endeavoured to implement remedies to support MSM businesses (discussed below in this chapter). However, in 2012, one noteworthy programme called Angola Invest started providing subsidised loans, to facilitate access to credit to new entrepreneurs intending to start a micro, small or medium enterprises. However, after a period of one year approximately 97% of the entrepreneurs that started new businesses with the subsidised loans from Angola Invest had failed (ANGOP, 2013; Dias, 2013). Regarding this extremely high failure rate, several authors believe that the cause is several adverse factors such as lack of training and skills development for new entrepreneurs, weak incentives for domestic production and red tape (Angop, 2013; Dias, 2013; Herrington, 2014:7).

Table 3.1: GEM report rates of businesses failing in Angolan and other economies (Bosma *et al*., 2009:20)

Countries	Business Failure (in percentage)				
	2008	2010	2012	2013	2014
Angola	23.4	19.9	26	24.1	15.1
Botswana			16	17.7	15.1
Brazil	3.5	5.3	5	4.7	4.1
China		5.6	4	2.7	1.4
Ghana		9	16	8.3	
India	10.1			1.5	1.2
Iran	5.2	7.3	5	5.7	5.7
Malawi			29	30.2	
Portugal		2.6	3	2.8	4.2
South Africa	5.8	4.8	5	4.9	3.9
United States	4.4	3.8	4	3.8	4
Zambia		23.5	20	19.8	

To summarise the above, it may be said that numerous factors are associated with business failure in Angola and these factors can prevent even viable businesses from being sustainable, meaning that their operations could at any time also experience problems which could easily lead to business failure. Everett and Watson (1998:388) argue that in order to reduce the high rate of small business failure, government should focus on the factors that negatively affect the economic conditions, and implement entrepreneurial training and educational programmes, incubation agencies and provide funding for support programmes. Given the above views, it must be stated that some of the reasons for failures relate to a poor evaluation of the major factors that cause business failure in Angola, and hence the need for this study.

3.3.6 Classification of businesses in Angola

Businesses in Angola are categorised as shown in Table 3.2 below. The Angolan MSMEs Law No. 30/11 of 13 of September define a small business as those employing more than 10 and up to 100 employees and/or have an annual gross turnover in Kwanza exceeding the equivalent of USD 250 000 (R3,225 million) and equal to or less than USD 3 million (R38.7 million) (Angola. Diário da República, 2011:4295). Micro enterprises are limited to 10 employees and/or their annual gross turnover (converted from Kwanza) must be less or equal to USD 250 000 (R3,225,000). Medium enterprises must employ from 101 to 200 employees and/or their annual gross turnover must be over 3 million (R38.7 million) USD but less or equal to USD 10 million (R129 million). Large enterprises are those employing more than 200 employees and/or their annual gross turnover is over USD 10 million (R129 million).

Table 3.2: Businesses categories in Angola (Angola. MINEC, 2012:7)

Type of Enterprise	Size of Employee	Gross turnover
Micro	1 to 10	≤ 250 000 USD
Small	11 to 100	> 250 000 USD and ≤ 3 million USD
Medium	101 to 200	> 3 million USD and ≤ 10 million USD
Large	From 201 and above	> 10 million USD

3.3.7 The effects of business failure on stakeholders

The failure of small business is harmful; it results in financial loss to stakeholders (Holt, 2013:53). It leaves people without jobs, increases the rate of unemployment in the country, decreases the level of production in the economy, reduces income for labour unions and governmental tax, and above all, the entrepreneurs and lenders tend to lose severely on their investment (Patil, Grantham & Steele, 2012:35). Over and above the loss of assets, the entrepreneur can be affected psychologically because of business failure, he/she can have remorse for investing, can lose self-confidence in business or be discouraged by the people around and this can make the entrepreneur fearful of initiating a new venture (Venter *et al.,* 2008:68). Under these circumstances, some people do learn from their mistakes, meaning that some lessons are learnt from business failures. According to Pratten (2004:247), such lessons "encourage more efficient management". Considering all the time, effort, finance and resources involved in starting a business, no entrepreneur would be willing to enter into business just to lose it all, unless it is a sudden occurrence.

3.4 Government supportive measure for small enterprise in Angola

Taking into consideration the setbacks of the war and the current unsustainable economic conditions in Angola, the government are striving to implement measures for encouraging, supporting, promoting and facilitating access to credit for new entrepreneurs intending to start MSMEs, in order to overcome the present economic developmental challenges. A review of each of the measures is provided below.

3.4.1 The PES support programme

For the first time in two decades the democratic Angolan government are playing regulatory role in supporting and encouraging the development of SMMEs, through a programme called "Programa Económico e Social" (PES) in 1995 (Aguilar, 2003:7-9; Lundahl, 2005:32; Mendes, 2012:26). PES was created with the aim of supporting new business creation and recovering the companies which had ceased operations because of war. The intention was to increase national production and reduce the level of importation, and create employment. Although the intention was good, due to lack of aptitude and action the programme was unsuccessful (Aguilar, 2003:7-9; Lundahl, 2005:32; Mendes, 2012:26). Nevertheless, the government continued to implement programmes to support the creation of MSMEs, as discussed below.

3.4.2 Entrepreneurship school curricula programme

The entrepreneurship programme in the ongoing secondary school curriculum reform was successfully introduced in 2009. This programme was designed to excite entrepreneurial attitude and impart knowledge and skills to young students, developing the intent to create new businesses and bring about creativity and innovation in the market (Angola. MED, 2008). Currently, this programme remains effective in several schools in Angola.

3.4.3 Angola Investe programme and the MSMEs Law

In 2011 the Angolan government promulgated the law of Micro, Small and Medium Enterprises, Law No. 30/11 of 13 September. This law was created to establish rules on the fair treatment that MSMEs deserve and provide a suitable framework for incentives and facilities (Angola. MINEC, 2013a).

However, the National Institute of Support to Micro, Small and Medium Enterprises (INAPEM), an institute in existence for about two decades, was revitalised in order to enforce the law of MSME together with the Ministry of economy and the programme Angola Investe came into being. The Angola Investe programme, which was created in mid-2012 is intended to support small and medium-sized companies to invest in sectors such as agriculture, livestock, fishing, construction materials, support services, manufacturing, energy and mining. The mission of the programme Angola Investe is to create a strong national chain of businesses in Angola, particularly in the MSME categories, for job creation and wealth generation to Angolans and diversification of the economy (Angola. MINEC, 2013a). According to Angola. IFE (2013:158) the main objectives of Angola Investe are to:

- Diversify the economy beyond other sectors, excluding oil and gas;
- Increase domestic production, to reduce the imports;
- Fighting poverty through job creation and self-employment (micro enterprise); and
- Encourage economic activities in Angola and improve banking services for the people.

The main support measures of the Angola Investe programme to MSMEs include:

- Capacity building support – providing training, consultancy and incubation programmes for entrepreneurs and MSMEs;
- Financing - interest subsidy to Angolan MSMEs, credit fund guarantee, tax incentives for entrepreneurship;
- Institutional support – simplifying the bureaucratic processes for MSMEs and entrepreneurs, monitoring the state of actual application and support to MSMEs, as well as to encourage the consumption of domestic production and co-operation (Angola. IFE, 2013:158).

The above measures have been successfully implemented. The government has started providing subsidised loans and facilitating access to credit to MSMEs through private banks since June 2012, while the first national business incubator opened in June 2014 (Angola. MINEC, 2013b; ANGOP, 2014). Also, the support agency for the simplification of the bureaucratic process of business registration started operating in 2012, which is discussed below.

3.4.4 One-stop Shop for Entrepreneur (BUE)

The programme called One-stop Shop for Entrepreneur (BUE) was implemented in 2012 and is successfully operating. The aim of BUE is to simplify and bureaucratise the Acts of constitution and licensing of micro and small businesses, so as to transform informal economic activities into formal trade. It is governed by the law of Commercial Activities (no. 1/07, de 14 de Maio), the law of MSMEs (no. 30/11, de 13 de Setembro), and by Presidential Decree No. 40/12, de 13 de Marco (Angola. Diário da República, 2012:1143-1144).

The above laws were promulgated to support the creation and sustainability of MSMEs, alleviate poverty, create jobs and strengthen the Angolan economy against external threats that can be devastating because of its total dependency on oil exportation. A more effective supportive business environment should exist due to the massive economic challenges that face businesses in Angola.

3.4.5 National Agency for Private Investment (ANIP)

With regard to foreign investment in Angola, law 10/79 of 22nd June was promulgated in 1979, which also reinforced law 13/88. These laws came into being to establish restrictions on certain sectors of the economy, demanding sovereign respect for the now-independent nation, fair treatment, protection and security, and to ensure certain rights were observed (Chinjamba, 2010:8-9). However, with the stability and peace that came with the end of the civil war in 2002, there was a need for private investment to diversify the economy and increase employment. The government started actioning a commercial strategic portfolio to improve the private business climate and as a result, the National Agency for Private Investment (ANIP) was created by Decree No. 44/03, de 04 de Julho. The aims of ANIP are to:

- Contribute to a suitable and efficient context of investment;
- Manage individualised incentive investment systems;
- Provide assistance such as technical, legal, market research, and other types to domestic and foreign investors;
- Promote and support alliances between domestic and foreign investors, as well as projects involving other components of internationalization of the Angolan economy;
- Promote the integration of investment in political and economic diplomacy, particularly through participation in international organisations or meetings on issues related to investment and implementation of promotional activities abroad to attract investment; and
- Monitor the planned projects of investment in progress (Chinjamba, 2010:22).

3.5 Opportunities for small enterprises in the Angolan economy

According to Brito and Da Rocha Pinto (2010), Angola is growing rapidly and for the economy to fully embrace the 21st century, modern technology is a must-have. Angola needs massive investments which should be supported by the new government developmental programmes which promote diversification and encourage MSMEs to invest in sectors as illustrated in Table 3.3 below, although not limited to these sectors. .

The Angolan market demands 4.5 million tonnes of grain per year but the country can only produce about 55% of corn, 20% of rice and 5% of wheat it needs (Africa Economic Outlook, 2014:3). According to Herrington (2014:6), minimal competition, innovation and product improvement exist amongst businesses in Angola, presupposing the importance of more high-tech enterprises.

Table 3.3: Government main opportunities for small enterprises (Angola. MINEC, 2012:15)

Priority Sectors	Details
Agriculture, livestock and fisheries	• Co-operatives creation • Production flow • Improving management of agro-farming projects
Manufacturing industry, geology and mining	• Facilitating manufacturing operations • Supplying of infrastructure • Production low
Support services to the productive sectors	• Creation of a local supply chain • Training of human resources in the main key areas

As shown in Table 3.3 above, Angola calls for diversification of its economy, entrepreneurial education and training, home-based manufacturing businesses and business support services in order to sustain its development and economic growth and compete effectively in the market.

However, with the world collapse of crude oil price at the end of 2014, the Angolan economy has been badly affected due to the lack of diversification of productive sectors which depend largely on the oil sector. This failure to diversify has developed into an economic crisis. Notably, Angola does not produce enough to feed its population, yet no strategic policy and government exists to minimise the current situation (Anon., 2015:7).

3.6 Conclusion

This chapter reviewed small businesses in the Angolan economy, their importance and contribution to the economy, general trade activities, level of competition, and the negative effects that business failure can have on stakeholders. The chapter also investigated the obstacles that small businesses face in Angola, identifying numerous economic factors that could cause businesses to cease operating.

Furthermore, available evidence of business failures in Angola was examined, as well as the relevant support from the government and opportunities which are available to small businesses in the Angolan market.

Chapter Three presents the research design and methodology employed in this study.

CHAPTER FOUR
RESEARCH DESIGN AND METHODOLOGY

4.1 Introduction

The previous chapter, Chapter Three, reviewed small businesses and their role in the Angolan economy. Considering the main objective of this study which is to determine the factors that influence the failure of small enterprises in a selected municipal area in Luanda, Angola, this chapter provides reviews of the methodological approaches utilised throughout this study to achieve the above objective. This study is identified as social science research, which refers to the "re-examination" of the "social world", using scientific methods and techniques to discover, comprehend and clarify issues impacting the society (Marvasti, 2004:1). According to Bhattacherjee (2012:1), social science is the individual or collective study of human behaviours, the societies, and macroeconomic issues. In the same notion, it can be alleged that social science refers to the study of human social interrelation with other groups, businesses, organisations, macroeconomic activities and the way they behave. Furthermore, Ritchie and Lewis (2003:7) state that it should actually involve a search of people's general activities, so that "cultural and historical aspects" and overall experiences of the social relationships should be disclosed. This chapter is set out under the following main headings: research methodology, explication of the research design, the pilot study, reliability and validity, gathering of data, data analysis, ethical considerations and summary.

4.2 Research methodology

The concept research methodology implies a composition of two broad concepts, 'research' and 'methodology', and they will be discussed separately in this section. According to Marvasti (2004:1), research as a concept "can literally be interpreted as renewed search or re-examination". Kothari (2004:1) defines research as the acquisition of knowledge by means of related instruments, following specific procedures to reach a convincing conclusion. In short, research can be defined as a careful study or investigation to discover facts and information.

Marvasti (2004:3) refers to methodology as a systematic structure of methods used in a research study. He emphasises that methods are identifiable elements of the research technique and instruments that are utilised in an investigation. Collectively, the concept of ‘research methodology’ involves the actions and systematic approaches one will employ in a research study to find reliable answers to the questions (Greener, 2008:10). In view of the above, research in social science, such as this research, should eventually be conducted under distinctive theoretical perspectives, research strategies, approaches or methods that denote the contents and the nature of the data contained in the study. This last statement is supported by Cohen, Manion and Morrison (2007:3) and Greener (2008:17).

4.2.1 Positivist and interpretive approaches

In social research the theoretical perspective that indicates the nature of the study, the presentation of data, "structure, process and direction" of the research, does matter (Sarantakos, 1998:35). Several authors agree that the two theoretical perspectives, which are also known as paradigms, i.e. positivism and interpretivism, are predominant approaches that differentiate the integrated information and the way social research should be conducted and presented (Marvasti, 2004:5; Bernard, 2006:3; Sarantakos, 1998:35; Bhattacherjee, 2012:8). Each of these perspectives is discussed below.

A) Positivist perspective

The positivist perspective holds that if social problems or events are known, their determinants can be explored, revealed and captured with the aid of the wide social rules and existing laws that govern them, and methodological instruments (Bryman, 2004:11; Sarantakos, 1998:39). This perspective deems that social research knowledge should be acquired through defined objectives, available world laws that conduct people's behaviours, and quantifiable instruments (Babbie, Mouton, Vorster & Prozesky, 2001:645). Additionally, Sarantakos (1998:39) states that in a positivist theoretical perspective "Knowledge of the events and social laws … permit the researcher … to control events and to predict their occurrence". In view of the above it may be deduced that the positivist perspective supports that social phenomena can be researched through widely available principles in societies, and that once known, the causatives of a phenomenon can serve as justifiable knowledge.

This study utilised a positivist approach which investigated the general factors causative of business failure and predicted failure variables in Angola and the data collection instrument was a structured questionnaire.

B) Interpretive perspective

The interpretive perspective holds that humans as the elements that cause the social issues have motives to perform certain actions and therefore their behaviour should be interpreted and understood with the aid of research (Sarantakos, 1998:39; Bryman, 2004:13). Correspondingly, the interpretive perspective argument is that social phenomena differ from natural phenomena with regards to the overall historical action and effect, behaviour, source of origin and ways of explanation. As a result, a social study requires methods that are very different from those used in the natural study, to discover people's meaning and to interpret (Babbie *et al*., 2001:643).

4.2.2 Objectivist and subjectivist views

Objectivist and subjectivist views differ on the type of information to be acquired by the researcher, whether it will be obtained by existing statutes or depending on analytical views of individuals. According to Cohen *et al.* (2007:10), the role of social science in an objectivist view is to search for the cause of problems or issues relating to the rules and laws that govern human behaviours, while in a subjectivist view, the role of social science is to search the different human views and their interpretation of the surrounding issues.

4.2.3 Quantitative and qualitative research methods

According to Mack, Woodsong, MacQueen, Guest and Namey (2005:2) quantitative and qualitative approaches differ mainly in terms of: the logic of the objectives; the formation of questions; the principles used in the methodology; the data collection instruments employed and the type of data captured; and the presentation of data. However, the major differences are further clarified in the discussion below.

A) Quantitative method

The quantitative method is an approach that involves predicting or controlling hypotheses about social phenomena, through structured data collection instruments such as observations, questionnaires and surveys which isolate the researcher from the research subjects (Mack *et al.*, 2005:3). A quantitative approach is associated with a deductive approach which involves gathering available general knowledge from which deductions are made to reach a logical conclusion; it uses research techniques that provide measurable data that are represented in numerical categories and reported in statistical forms (Marvasti, 2004:7; Mack *et al*., 2005:3).

B) Qualitative method

The qualitative method is an approach that emphasises the exploration of phenomena using particular research techniques and flexible instruments to acquire in-depth responses from participants and generate constructive knowledge (Mack *et al*., 2005:3). This approach deals with data collection instruments such as semi-structured interviews which capture textual type of data; it is more concerned with the discovery of insights and interpreting subjective feelings and opinions of people, and reports the data into "textual format" (Mack *et al.*, 2005:3; Debus, n.d.:2-3)

4.2.4 Target population

Brynard and Hanekom (2006:55) argue that "population" denotes a number of subjects with exact characteristics and attributes, which consequently symbolise the researcher's target population. According to Greener (2008:48), the research target population is the total number of people or objects from which is extracted a sample of potential participants to answer the research questions.

4.2.5 Sampling design

Sampling is the process of separating a significant portion of the population by taking into account the limitations and characteristics that denote them, in order to represent the population (Coldwell & Herbst, 2004:74). Given the above, sampling can be assumed to be the action of determining the sample that will participate in answering the research questions. According to Sarantakos (1998:140), two types of sampling approaches exist, random or probability sampling and non-probability sampling. These two approaches are discussed below.

A) Probability and non-probability sampling

According to Sarantakos (1998:141) and Greener (2008:48), probability sampling ensures that every individual in the population has an equal opportunity of being selected for the sample. In this method each individual in the population is a potential candidate for the sample. However, in non-probability sampling individuals in the population do not have an equal chance of being selected although some individuals may have a higher chance of selection (Greener, 2008:48) and according to Sarantakos (1998:141), non-probability sampling is left to the researcher to decide what sample to use for the study.

B) Sample frame

The sample frame relates to a recorded list of all the individuals of the population that enable the sample selection (Greener, 2008:39).

C) Research sample

Coldwell and Herbst (2004:74) define sample as the chosen respondents of a large population who participate in a survey. In this regard Greener (2008:47) explains that when a large number of potential respondents are involved, research is only conducted on some (a sample) of these respondents. Therefore, a research sample comprises only a portion of the population under study, from whom data is gathered to make inferences about the entire population.

4.3 Explication of the research design

Research designs are "logical plans" (Yin, 2011:75), meaning that they are plans that involve reasoning systems. It is the solid foundation that represents the direction of a research study, with great emphasis on the overall research methods (Greener, 2008:38).

According to Marvasti (2004:9), in social research the steps below indicate what should be covered in a research design:

- Formulate the research questions that are theoretically supported;
- Choose justifiable research participants and the method to collect data;
- Choose the approach to analyse the data; and
- Report the results.

Although the above steps were applied in this study, the sequence differs due to the methods chosen for the research, such as quantitative methods, but the rationality of design was not neglected.

This research was initiated to investigate the factors that influence the failure of small businesses in Luanda province in Angola, with the following specific objectives:

- To investigate the impact of managerial competencies and financial skills on the failure of small businesses.
- To examine the impact of market competition on the failure of small businesses.
- To examine the role that economic factors play in failure of small businesses.
- To provide recommendations on how to mitigate high small business failures in Luanda.

This research was conducted using the positivist theoretical perspective to assess the above objectives. The positivist perspective is a system with a series of actions that have been explored as well as statutes that should be reviewed, understood and explained independently and objectively (Marvasti, 2004:6).

Considering the above, the researcher concluded that an association or link between positivism, quantitative, deductive and objectivist approaches exists, as they share similar views on social research. Therefore, this research employed a quantitative method. Brynard and Hanekom (2006:36) claim that the quantitative method is supported by a clear hypothesis that "should pass as warrantable knowledge" for respondents.

Primary and secondary data were gathered in this research. The secondary data was sourced from academic journals, theses and dissertations, books, newspapers, reputable online sources and government publications. Primary data was gathered using structured questionnaires, encoded under closed-ended questions within the quantitative approach. The closed-ended questions assisted respondents to retrospectively consider the factors that had caused their business to fail and enhanced the accuracy of the information supplied.

The target population of this study comprised small enterprises operating in the municipal area of Viana in Luanda province in Angola. The municipal area of Viana was selected from the seven municipalities in the Luanda province because of the high diversity of small businesses, as well as the fact that it is perceived to be the most industrialised and fastest growing municipality. Small businesses in this study are defined by the number of employees, being between 11 and 100, and/or by annual revenue greater than USD 250,000 (R3,225 million) and equal to or less than USD 3 million (R38.7 million) (Angola. Diário da República, 2011:4295).

Due to the lack of a comprehensive sample frame, the study adopted a non-probability sampling technique. Specifically, the snowball sampling technique was utilised to build the sample size through a line of references, from one respondent to another (Denscombe, 2007:17). According to Yin (2011:79) snowball sampling takes place as a point-to-point direction, in which the existing respondent directs the researcher to another potential respondent. Using this technique, the researcher surveyed the participants who were available and after being surveyed, asked them to recommend people who met the criteria required for this study. This procedure was repeated until the exact number of the sample was accumulated.

To reach an acceptable sample size, the following two procedures were undertaken. Firstly, only small business owners (or managers) that had experienced a failed business were eligible for selection. Secondly, the sample size for this study was based on the average of the sample size of recent similar studies which focussed on small business failure. These studies included April (2005) who utilised a sample of 40; Arasti (2011) who recruited 80 participants; Mofokeng (2012) who utilised 120 participants; Nemaenzhe (2010) with a sample size of 254 and Yozi (2009) who used 25 participants. The average sample size for the abovementioned studies is 104. To be prudent, the sample size for this study comprised 130 respondents (25% above the average of 104 noted above). This method of sample size calculation was utilised in a similar study by Tengeh (2011).

The data gathered was analysed using the Statistical Package for the Social Sciences (SPSS) programme and described statistically.

4.3.1 Data collection instrument

Data is the basic component of any research. They come from different sources and are not limited to academic sources, surveys, questionnaires, interviews and observations (Yin, 2011:129). A questionnaire (see Appendix B) was utilised in this research to gather the data. It was designed under nominal and ordinal scales of measurement. According to Kothari (2004:18) a questionnaire is the means of collecting identical data from a large number of people by using a unique technique, where the result is later analysed systematically. This technique allowed the researcher to approach as many respondents as possible, in order to enhance accuracy and validity of the data. According to Sarantakos (1998:224) and Denscombe (2007:169) it also helps the researcher to reduce discrepancies in the analysis of data, minimises costs of materials and saves time. However, the disadvantage of using a questionnaire for data collection is the inevitable biased responses from participants as a result of lack of supervision (Sarantakos, 1998:225). To minimise such bias, the researcher exercised proper supervision during the completion of the questionnaires.

4.3.2 Questionnaire design

As noted earlier, this study utilised a semi-structured questionnaire to gather data for the empirical study. A structured questionnaire refers to a survey instrument encoded under closed-ended questions which enables respondents to select answers from different choices which are provided (Cohen *et al*., 2007:321). Before the questionnaire design was finalised, it was administered in a pilot study to test the asserted variables before being distributed to respondents in the main study.

Formulation of the questions

According to Sarantakos (1998:229), the type of questions chosen for a questionnaire greatly depends on the methodological approaches taken in conducting research and the type of answer the main questions require. Cohen *et al*. (2007:321) assert that the type of questions can be dichotomous, rating scales, rank orderings, ratio, constant sum, multiple choice and open. The questionnaire that was utilised in this study contained four types of questions—dichotomous, multiple choice, rating scales and open questions.

Dichotomous questions

These involve responses that are selected from one of only two categories (Greener, 2008:56). The questionnaire for this study contained the following dichotomous questions: 1 (Age); 2 (Gender); 3 (Nationality); 9 (Have you ever had a successful business person who was your mentor or role model?); and 10 (Please indicate if your venture had a business plan or not).

Multiple choice questions

Multiple choice questions provide various choices with no rank order, to a given hypothesis (Cohen *et al*., 2007:323). In this study, this category contained the following questions: 4 (What type of business ownership did you have?); 5 (Please mark with an X your highest educational qualification); 7 (How many employees did the business have?); 8 (Please mark with an X the type of business you had); and 6 (Which of the following short courses have you attended?). These questions were developed with more than two choices from which respondents had to select one, with the exception of question 9 to which respondents could select more than one answer if applicable.

Rating scales questions

These questions involve responses based on the degree or intensity of the hypothesis effect, and rating in point of scales such as Likert scales, Thurstone scales, semantic differential scales, or Guttman scales (Bhattacherjee, 2012:47). The questionnaire utilised in this study employed the Likert scales four-point level of agreement (strongly disagree, disagree, agree and strongly agree) for the following questions: 11 (Please mark your agreement with an X to each of the statements below regarding the managerial causes of small business failure) and which encompassed 15 sub-questions (from 11.1 to 11.15); 12 (Please mark your agreement with an X to each of the statements below regarding financial causes of small business failure) which had 7 sub-questions (from 12.1 to 12.7); 13 (Please mark your agreement with an X to each of the statements below regarding the competitive causes of small business failure) with 7 sub-questions (from 13.1 to 13.7); and 14 (Please mark your agreement with an X to each of the statements below regarding the regional economic causes of small business failure) with 8 sub-questions (from 14.1 to 14.8).

Furthermore, the Likert scales five-point frequency (never, rarely, sometimes, often and always) was also employed for the sub-question 10.1 (If you answered yes to the above question, to what frequency did you run the business in accordance with the business plan?).

Open-ended questions

Open-ended questions require participants to comment freely as own opinion on the event (Cohen *et al*., 2007:329-330). Two open-ended questions were employed in the questionnaire, for respondents to provide additional information: question 15 (Please state other economic factors that could have contributed to the failure of the business); and question 17 (What can government do to prevent the high number of business failures in Luanda?).

Final questionnaire design

The final questionnaire included four sections, plus a covering letter (see Appendix B), which are discussed below.

Covering letter. The purpose of the covering letter was to provide respondents with comprehensive information about the usefulness of the study results and the actions expected from them. The covering letter presented the topic to the respondents and the actual purpose of the study, with emphasis on the fair treatment and strict confidentiality of their information. Furthermore, respondents were given the autonomy to decide whether they wanted to participate in the research or not, as their participation was voluntary. Additional information was also provided in case difficulty was encountered in completing the questionnaire.

Section A. This section contained questions to determine the demographic profile of the respondents such as age, gender and level of education.

Section B. In this section the researcher sought background to the respondents' failed businesses, for example, in which business category (size) and industry sector was the business positioned. The purpose of this section was to collect data that could identify the distinctive characteristics of the failed businesses.

Section C. This section was developed to ascertain the factors associated with the causes of small business failure in Viana municipality, Luanda province, Angola. The tested hypotheses in this section were related to management factors, financial skills, market competition and the factors of the economic conditions that could have impacted on business failure.

4.4 Pilot study

A pilot study refers to a small study that utilises a prototype of the research instrument with the objective to test the asserted variables prior to the larger study being conducted (Bernard, 2006:190). According to Mauch and Park (2003:136) the pilot study aims to give the researcher an opportunity to examine potential respondents' answers regarding the problem in the study area.

A pilot test of the measuring instrument (the questionnaire) was conducted from the 13th to 29th May 2014 in the municipality of Viana in Luanda (the proposed study site). In line with the foregoing, 15 questionnaires were distributed to small business owners/managers in order to evaluate the consistency of the answers for the purpose of this study.

4.5 Reliability and validity

Reliability reflects the extent to which a measure instrument brings forth a constant outcome (Kothari, 2004:73-74). According to Greener (2008:37), reliability ensures self-reliance, practicable and clear research. A reliable research should be auditable so that if another researcher uses a similar method he/she can obtain similar results. In contrast, validity reflects the extent to which an instrument measures what is believed to be measured (Kothari, 2004:73-74). According to Greener (2008:37) and Yin (2011:78), a study is valid when it complies with the parameters of research, such as valid methods, its data is gathered in an accredited way, and is deeply analysed and concluded to mirror the exact situation in the study. To ensure reliability and validity of the instrument, the researcher created the first draft of the questionnaire with the help of available literature relating to small business failure and a statistician at CPUT. This first draft was submitted to the researcher's supervisor for corrections and afterwards resubmitted and was approved as the first version of the questionnaire. This first version of the questionnaire was utilised in a pilot study by the researcher to assess the consistency of reported factors that influenced the failure of respondents' businesses.

After conducting the pilot study the researcher found that the questionnaire needed to be restructured to include more closed or structured questions such as dichotomous, multiple choice and rating scales as some respondents were reluctant to give further written information on the factors that had contributed to the failure of their businesses.

Thereafter the second version of the questionnaire was developed by the researcher based on consistency and correlation of the respondents' answers from the pilot study. This version was approved by the researcher's supervisor and submitted to the CPUT Research Ethics Committee together with the research proposal and the Ethics Committee granted approval for the study to proceed (see Appendix D).

4.6 Recruitment of respondents

According to Mack *et al*. (2005:6) recruitment strategy is a piece of research blueprint used typically to discover potential individuals to take part in answering the research questions. It gives specific details of the steps to be taken, such as examining the number of individuals that must participate in the study, the area, and the employed techniques in order to reach to the participants (Mack *et al.* 2005:6

The research survey started with a pilot study comprising 15 respondents. These 15 respondents were then asked to introduce further potential respondents to the researcher, as per the snowball sampling technique described earlier. This technique was repeated until the required sample size of 130 was reached. Respondents were recruited throughout Viana and were contacted via cell phone or directly at their business facilities. Questionnaires were hand-delivered to respondents and collected again at an agreed time. However, only 117 questionnaires were returned.

4.7 Data analysis

From the 117 questionnaires returned to the researcher, only 108 were processed for analysis. Nine questionnaires were deemed not usable due to physical damage or being incomplete. This research employed SPSS software to statistically analyse the primary data. According to Kulas (2009:5), SPSS can carry out diverse statistical analyses, both descriptive and inferential. The purpose of using SPSS in this research was to detail the data into descriptive statistics. According to Kothari (2004:131), descriptive statistics entails providing certain indices from the raw data. They are widely used to create figures and graphs and represent numbers in tally, frequency and percentage (Coldwell & Herbst, 2004:92). However, the questionnaire variables were stored under two levels of measurement, nominal and ordinal levels, and the data was reported in frequencies and percentages and illustrated in tables, pie charts and bar charts. According to Denscombe

(2007:253), descriptive statistics allows the researcher to critically analyse the results, examine the interconnection of data and provide a meaningful conclusion.

4.8 Ethical considerations

Throughout the undertaking of social research, the researcher must consider primordial ethical principles (Denscombe, 2007:141). Ethics are associated with the way the researcher will interrelate with the people, the material, the intellectual property and other issues such as the dealing with the supervisor and plagiarism (Mack *et al.*, 2005:8).

This study was conducted in an ethical manner, ensuring honesty with regard to data, responsibility of overall research. The researcher respected and protected the rights of the participants and participants were informed that participation is voluntary and that they were able to withdraw at any time from the study. Before the data collection, the questionnaire was translated from English to Portuguese by a sworn translator; a permission letter for data collection was acquired from the municipal administration of Viana (see Appendix C) and afterwards submitted to the CPUT Research Ethics Committee, which granted approval for the research to proceed (see Appendix D). Participants were assured that all data would be treated with full confidentiality.

4.9 Conclusion

This chapter reviewed the research methodology and the various approaches contained therein.

Also discussed in this chapter were the positivist and interpretive research theoretical perspectives, the objectivist and subjectivist research views, the quantitative and qualitative research methods, and the sampling design. The data collection instrument utilised in this study was explained, as well as the pilot study, gathering and analysis of data and the concepts of reliability and validity of the research. Furthermore, ethical considerations were explicated.

The following chapter presents and discusses the findings of the study.

CHAPTER FIVE
PRESENTATION AND DISCUSSIONS OF FINDINGS

5.1 Introduction

The previous chapter discussed the methodological approaches to the research, justification of the design structure and the practical activities involved throughout this study. The structure of the questionnaire survey instrument utilised for data collection of the empirical study was also provided in detail.

This chapter presents the analysis and discussion of the results of the empirical study. The statistical processing of the collected data is addressed, as well as the presentation and analysis of the processed data. The results are presented, analysed and interpreted in relation to the research questions and the research objective which was to determine the factors which influence the failure of small businesses in Luanda province in Angola. This chapter is set out under the following main headings: demographic information of business owners/managers; business profile; factors associated with small business failure in Viana; and actions needed by the Angolan government to prevent high number of business failure.

5.2 Demographic information of businesses owners/managers

The purpose of this section was to obtain a demographic profile of respondents.

5.2.1 Gender

In studies such as this, it is customary to establish the gender of the respondents. Table 5.1 below indicates the gender split of respondents in this research survey.

Table 5.1: Gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	76	70.4	70.4	70.4
	Female	32	29.6	29.6	100.0
	Total	108	100.0	100.0	

Table 5.1 above reveals that more than two thirds (70.4%) of the respondents were males, while females represented 29.6% of the total. This result indicates a significant disparity between the genders and suggests that more males than females actively own/manage small businesses which have failed. This result is corroborated by the 2014 GEM Global report which found that there are more men entering into entrepreneurial activities than women in the majority of countries (Singer *et al.,* 2015:45). This implies that most failed businesses in these countries were owned by males.

5.2.2 Age

Table 5.2 illustrates the frequency divided into five distinct age groups of the failed businesses owners/managers who participated in the study.

Table 5.2: Age group of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21 - 30	19	17.6	17.6	17.6
	31 - 40	38	35.2	35.2	52.8
	41 - 50	32	29.6	29.6	82.4
	51 - 60	13	12.0	12.0	94.4
	61 - above	6	5.6	5.6	100.0
	Total	108	100.0	100.0	

Respondents in the age group 31 to 40 years represent the highest percentage (35.2%) of the whole, while the age group of 41 to 50 years follows as the second highest percentage (29.6%). The young group from 21 to 30 years made up 17.6%, while the older age groups of 51 to 60 years and the 61 years and above returned 12% and 5.6% respectively.

It can be deduced from these results that the majority of respondents were in the age group 31 to 40 years. The reason could be that by this age most people have determined a career path, they have completed their studies, have started families and are seeking the best way in which to support their families. There was only a slight difference between the age range from 31 to 40 years (35.2%) and 41 to 50 years (29.6%), both being life stages at which people could more likely cope with the time, effort, finance and resources required in starting a business. These results indicate that the young group from 21 to 30 years make up 17.6% of respondents who own/manage businesses. A similar study found that one of major challenges facing young people in this age group is the inadequate support service to them (Gwija, 2014:III). However, this challenge combined with the overall challenges of gathering the necessary resources to start and manage a business, could possibly be reasons for the youth business failures in the study area.

5.2.3 Nationalities of respondents

The respondents' nationalities were considered in order to identify the variety ethnic groups who operate businesses in the Viana municipal area and who contribute to employment opportunities, production and diversification in the economy.

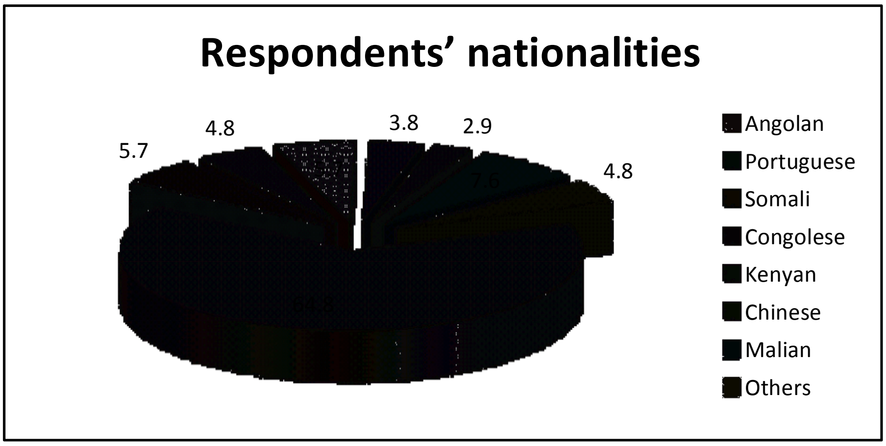

Figure 5.1: Nationalities of respondents

The results seen in Figure 5.1 above indicate that nearly two third (64.8%) of respondents are Angolans, representing the highest percentage of the total respondents, followed by Malians at 7.6%. Both Portuguese and citizens from Democratic Republic of Congo reflect 5.7% of respondents, Somalis represent 4.8%, Kenyans at 3.8% and lastly Chinese at 2.9%. Other nationalities which accounted for the balance of 4.8% were Nigeria, Republic of Congo and Senegal.

It is apparent that the overwhelming majority of the respondents were Angolans (64.8%). Although the total number of foreigners was limited to 35.2%, their numbers could be much higher, if not for the fact that a number of them could not communicate fluently in Portuguese, the language used for the survey instrument. Their failure could possibly be due to macroeconomic environmental challenges, such as local cultural awareness, particularly in Angola as a third world country, is important to improve management.

5.2.4 Respondents' relationship with the failed business

Figure 5.2 below illustrates the type of relationship that respondents had with the failed businesses in Viana. This line of enquiry ascertained that data was collected from the correct people to ensure validity.

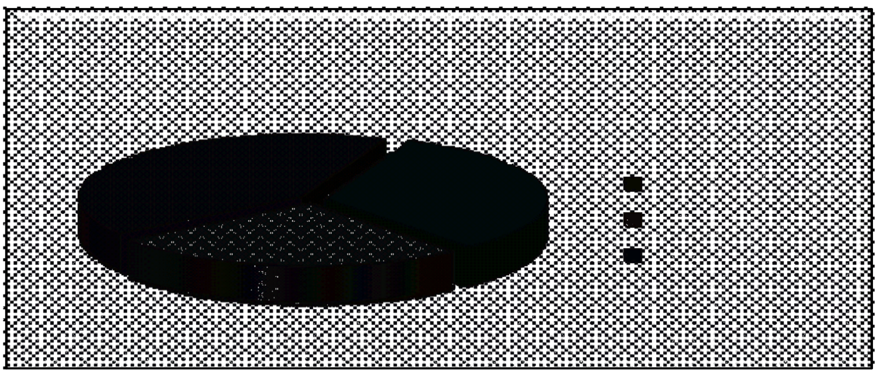

Figure 5.2: Respondents' relationship with the failed business

The figure above clearly indicates that 41.1% of respondents were managers of the failed businesses, while approximately one third (32.7%) were owners and managers of the business, and 26.2% were owners. These results indicate that most of failed businesses in Viana were operated by contracted managers and not the owner of the business. These results differ from those of Nemaenzhe (2010:168) and Mofokeng (2012:182) who found that the majority of small businesses were managed by owners. This study found that only 26.2% of owners managed and controlled their own businesses in Viana. However, these results could be related to the findings of Herrington (2014:6) which highlight that Angola presents a high number of business owners who run multiple businesses, and/or leave one business and start another one.

5.2.5 Educational level of respondents

The educational level of business owners and managers prior to their business failure is represented in Figure 5.3 below.

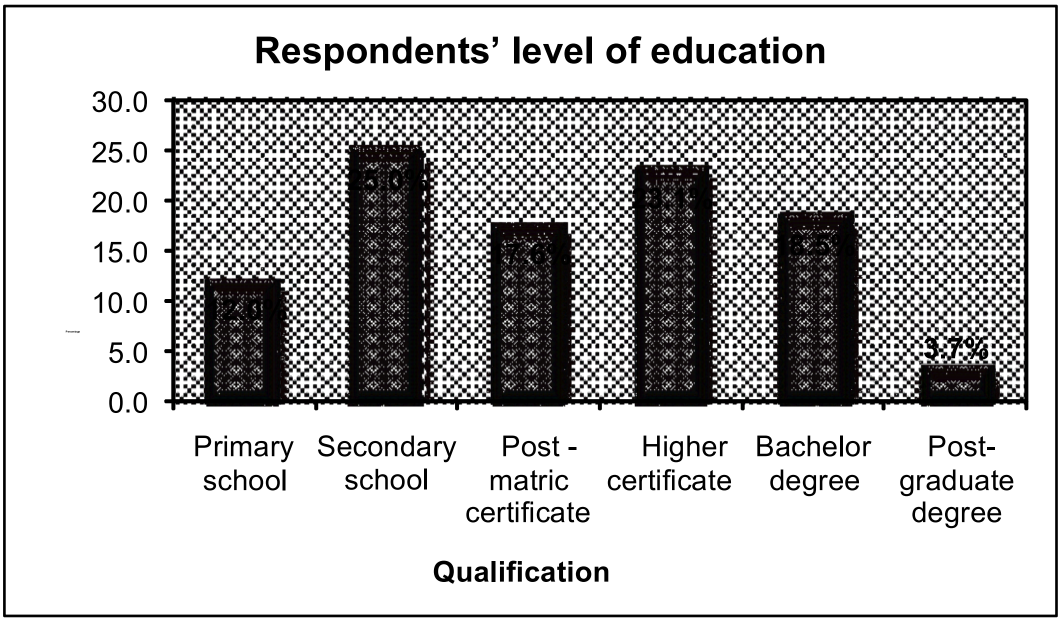

Figure 5.3: Educational level of business owners and managers

Figure 5.3 illustrates that one quarter (25%) of business owners and managers had completed secondary school prior to business failure, 23.1% had acquired a higher certificate or diploma after secondary school and 18.5% had obtained a Bachelor's degree. It further illustrates that 17.6% acquired a post-Matric short course certificate, 12% had completed primary school education, while 3.7% had completed a post-graduate degree.

Although the results indicate that the majority of respondents had completed secondary school and some had only a primary school education, it is certainly considered that all of the respondents had some level of education, denoting an absence of illiteracy among them.

Thus, higher education would increase the capacity of entrepreneurs/managers to build knowledge, skills and management understanding of the required resources to sustain and develop their businesses. Nieman and Nieuwenhuizen (2009:31) state that tertiary education increases entrepreneurial capacity. Additionally, respondents were also questioned on any additional business courses they had attended which could improve their management skills and knowledge. As a result, Figure 5.4 below illustrates that more than one third (37%) of respondents had attended a business management short course, while 63% had not.

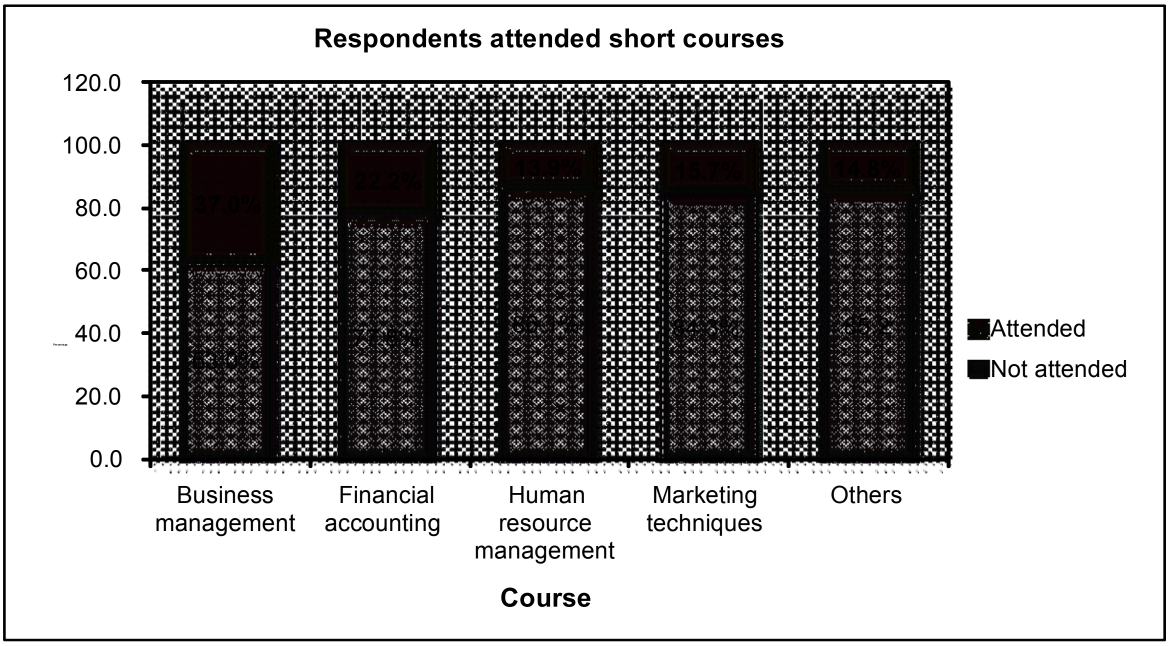

Figure 5.4: Respondents attended business short course

Figure 5.4 above also indicates that 22.2% of respondents had attended a financial accounting short course but 77.8% had not. A short course for marketing management techniques was attended by 15.7% of respondents while 84.3% had not attended. A human resource management course had been attended by 13.9% of respondents while 86.1% had not attended such a course. Other courses which account for 14.8% were public management, office administration, basic electricity, computer literacy, bank teller and teaching/education. Although some of the respondents could possibly have acquired business management skills during their tertiary education as noted in Figure 5.3, this study found that the majority of them had not attended any additional management short courses. A similar study conducted by April (2005:95) found that a lack of management skills plays an important role in business failure.

5.3 Business profile

The purpose of this section was to collect data on various characteristics of the failed businesses in the Viana municipal area.

5.3.1 Failed businesses – number of employees

Figure 5.5 below indicates the number of employees employed by the failed businesses under study.

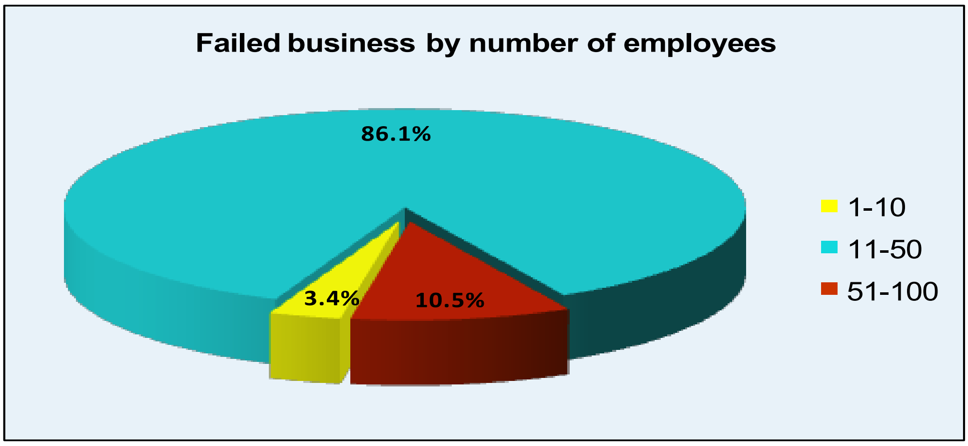

Figure 5.5: Failed businesses by number of employees

The results above reveal that 86.1% of the failed businesses employed between 11 to 50 employees, 10.5% had from 51 to 100 employees and 3.4% of the failed businesses had between 1 to 10 employees. These results differ from the findings of Mofokeng's (2012:186) study which found that majority of the businesses had between 1 to 5 employees.

These results can further be argued that the relationship between the ranges from 11 to 50 employees and 51 to 100 employees fall into the category of small business in Angola, which indicate that a total of 96.6% (86.1% plus 10.5%) of the failed businesses are small businesses, while 3.4% (businesses that had between 1 to 10 employees) fall into the category of micro business. As this study is based on investigation of the failure of small business enterprises in Angola, these study results confirm that data was collected from the correct population to ascertain validity.

5.3.2 Type of failed business

Figure 5.6 below illustrates the sectors in which the failed businesses operated.

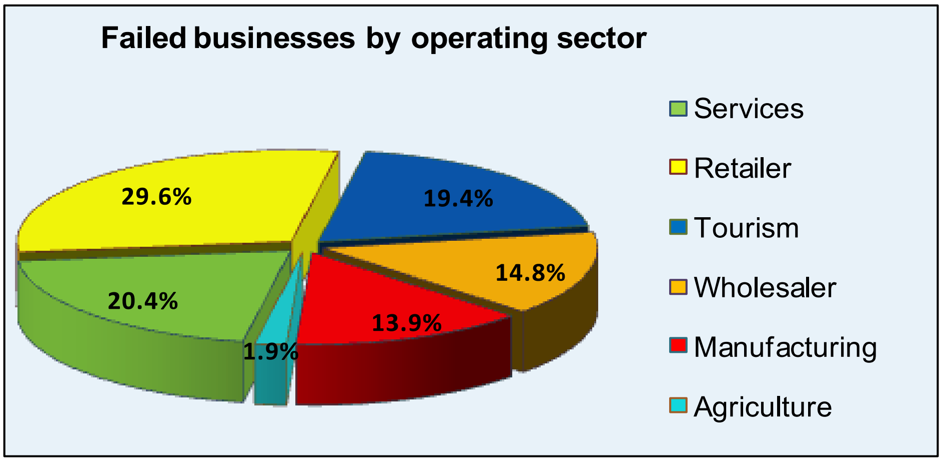

Figure 5.6: Businesses operating sectors

Figure 5.6 reveals that nearly one third (29.6%) of the failed businesses were operating as retailers, while 20.4% were businesses relating to services and 14.8% were wholesalers. The tourism sector represented 19.4%, while 13.9% were in the manufacturing sector and 1.9% in agriculture.

The results above indicate that the majority of failed businesses in Viana were operating in the retail sector. This result is corroborated by Singer *et al.* (2015:45) who found that the majority of entrepreneurial activities in sub-Saharan Africa (SSA) are related to over-traded sectors such as retail. However, these retailers as well as the wholesalers in Viana operated in diverse sectors, importing and selling a wide range of products. The second most predominant sector was businesses offering services such as construction, car-washing, retreading tyres and laundry. The causes of the failure of service-related businesses may be explained by Singer *et al*. (2015:45) who found that most of the small businesses in SSA do not offer new and innovative products and services, and most of them are in direct competition with one another, offering similar products and services.

5.3.3 Lack of successful entrepreneur mentor or role model

Table 5.3 shows results of whether respondents had the benefit of a successful business person as a mentor or role model prior the business failure.

Table 5.3: Absence of successful business person as a mentor or role model

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	41	38.0	38.0	38.0
	No	67	62.0	62.0	100.0
Total		108	100.0	100.0	

These results indicate that 62% of respondents did not have a successful business person as a mentor or role model prior to business failure, while 38% of respondents had experienced this.

This study found that the majority of respondents (62%) did not have the benefit of having a successful business person as a mentor or role model. According to Herrington (2014:7), there was a mass exodus of skilled people during the civil war in Angola, including successful entrepreneurs who could have served as role models and mentors. Exposure to a successful business person could inspire a new entrepreneur and allow them to gain invaluable knowledge of management and business systems. Several authors support the notion that the presence of individuals to transfer the relevant entrepreneurial experience is crucial, as the absence of successful entrepreneurial role models is believed to influence business failure (Da Rocha, 2011:26; Mendes, 2012:14; Herrington, 2014:7).

5.3.4 Possession and use of a business plan

Table 5.4 below reveals whether the failed businesses (respondents) had a business plan or not.

Table 5.4: Failed venture possession of a business plan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	43	39.8	40.6	40.6
	No	63	58.3	59.4	100.0
	Total	106	98.1	100.0	
Missing		2	1.9		
Total		108	100.0		

The results above reveal that the majority of respondents (59.4%) did not have a business plan for their venture, while 40.6% of respondents did have a business plan. Barringer and Ireland (2010:49) posit that the lack of a business plan could prevent the entrepreneur from critically thinking through all aspects of their business. Considering Barringer and Ireland's views, it can be argued that a business plan would give the business owners/managers the insight to business environmental trends and risks that possibly could affect their venture and assist them to make sound decisions to mitigate failure. However, some of businesses that had business plans still suffered business failure.

Furthermore, those respondents who stated that they had a business plan were asked to indicate how often they operated their business according to the business plan, using a five-point Likert scale frequency (see Table 5.5 below).

Table 5.5: Frequency of using business plan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	9	20.9	20.9	20.9
	Rarely	14	32.6	32.6	53.5
	Sometimes	12	27.9	27.9	81.3
	Often	2	4.7	4.7	86.0
	Always	6	14.0	14.0	100.0
Total		43	100.0	100.0	

Table 5.5 above indicates that 20.9% of respondents had never operated their business in accordance with their business plans, while 32.6% had rarely and 27.9% had sometimes. Furthermore, 14% of respondents had always operated their business in accordance with their business plan, while 4.7% responded that they had often operated in accordance with their business plan.

From the 43 respondents that had a business plan for the failed businesses in Viana, as presented in Table 5.4, it was found that 81.3% (20.9% never, plus 32.6% rarely, plus 27.9% sometimes) of them did not operate their businesses in accordance with their business plans, versus a total of 18.7% (14% always plus 4.7% often) that had operated their businesses in accordance with their business plan. The findings of this study align with the findings of Nemaenzhe (2010:199-201) who found that business planning, when not efficiently conducted and influenced by external environmental factors, can lead to failure of small businesses.

5.4 Factors associated with small business failure in Viana

This section was developed with the intention to assess the actual reasons for business failure in the municipal area of Viana. However, a series of variable factors that could be the cause of business failure were provided to respondents and tested under a four-point Likert scale level of agreement (strongly disagree, disagree, agree and strongly agree).

5.4.1 Lack of knowledge in the domain of business

Table 5.6 below represents the results regarding respondents' lack of knowledge in the field in which they were operating their businesses.

Table 5.6: Insufficient knowledge in the domain of business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	42	38.9	38.9	38.9
	Agree	35	32.4	32.4	71.3
	Disagree	12	11.1	11.1	82.4
	Strongly disagree	19	17.6	17.6	100.0
	Total	108	100.0	100.0	

The results indicate that a total of 71.3% (32.4% agree plus 38.9% strongly agree) of respondents in municipal area of Viana agreed that insufficient knowledge of domain of business caused their businesses to fail, while 28.7% (11.1% disagree plus 17.6% strongly disagree) of respondents disagreed with this statement.

With reference to the results above, this research found that a very significant 71.3% of respondents agreed that insufficient knowledge in their domain of business has influenced their business failure. This result is corroborated by Mahamid (2012:281) who found that insufficient understanding of the business system and lack of management experience are key factors which contribute to business failure. According to Wickham (2004:245) entrepreneurs should possess the required skills and knowledge to start a business, they must be well informed about the business system and the industry, have a good knowledge of the product or service offered, have management skills and be able to quickly learn new skills as the business might require. The results of this study highlight that lack of knowledge in the domain of the business system is a key issue contributing to business failure.

5.4.2 Lack of relevant leadership skills

Table 5.7 illustrates responses from respondents regarding lack of leadership skills as a contributing factor to their business failure.

Table 5.7: Lack of leadership skills caused business to fail

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	31	28.7	28.7	28.7
	Agree	44	40.7	40.7	69.4
	Disagree	18	16.7	16.7	86.1
	Strongly Disagree	15	13.9	13.9	100.0
	Total	108	100.0	100.0	

The above results indicate that a total of 69.4% (40.7% agree plus 28.7% strongly agree) of respondents agree that lack of leadership skills contributed to their business failure, while 30.6% (16.7% disagree and 13.9% strongly disagree) disagreed with this statement.

A significant majority of respondents agreed that insufficient leadership skills is a problem which caused their businesses to fail, though 30.6% of respondents disagreed. Mahadea and Youngleson (2013:420) found that lack of effective leadership, weak general management skills and lack of financial and marketing planning are pertinent factors influencing business failure. The leadership skills referred in this study pertain to the functionalities of the business such as managers' planning skills, organising skills, leadership skills and controlling skills.

Arasti (2011:7490) found that many of the factors that may impact on businesses failure are directly related to management approaches to the resolution of problems and deficiencies in technical and management skills, and relevant administration skills.

5.4.3 Loss of management control

Table 5.8 below presents the results regarding loss of management control due to work overload.

Table 5.8: Loss of management control due to work overload

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	23	21.3	21.5	21.5
	Agree	50	46.3	46.7	68.2
	Disagree	23	21.3	21.5	89.7
	Strongly disagree	11	10.2	10.3	100.0
	Total	107	99.1	100.0	
Missing	Missing response	1	.9		
Total		108	100.0		

A total of 68.2% (46.7% agree plus 21.5% strongly agree) of respondents agreed that being the only person in control and being overloaded the work, contributed to their business failure, while 31.8% (21.5% disagree plus 10.3% strongly disagree) disagreed with this statement.

The results indicate that the majority of respondents agreed that work overload caused by their failure to delegate certain responsibilities to their subordinates, had led to the failure of their business. This result is corroborated by Mahamid (2012:281) who found that overload of work and poor communication skills were common reasons for failure. To be viable, a business requires input from its stakeholders. Nieman and Nieuwenhuizen (2009:14) maintain that a successful entrepreneur should build useful networks, possess good interpersonal relations skills, communication skills, conflict management skills and have the ability to trust and delegate.

5.4.4 Lack of management's internal communication skills

Table 5.9 below shows results on management's ineffective communication with employees. A total of 74.1% (28.7% disagree plus 45.4% strongly disagree) respondents disagree that ineffective communication with their employees was the cause of their business failure, while 25.9% (11.1% agree plus 14.8% strongly agree) agree with this statement.

Table 5.9: Ineffective management communication with employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	16	14.8	14.8	14.8
	Agree	12	11.1	11.1	25.9
	Disagree	31	28.7	28.7	54.6
	Strongly disagree	49	45.4	45.4	100.0
	Total	108	100.0	100.0	

These results indicate that nearly three quarters of the respondents disagree that a lack of effective management internal communication was a contributing factor to business failure. This suggests that the business owners/managers in municipal area of Viana believe that they do communicate effectively and disseminate information to employees. These findings differ from Khalfan (2003:756) who found that lack of communicating essential operating procedures and information was a significant factor which contributed to business failure. Furthermore, Nieman and Nieuwenhuizen (2009:14) postulate that good human relations and clear and effective communication with employees and other stakeholders are attributes needed for a good manager.

5.4.5 Lack of effective communication with external stakeholders

Table 5.10 below shows results of poor communication by management with external stakeholders.

Table 5.10: Lack of good communication with external stakeholders

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	22	20.4	20.6	20.6
	Agree	35	32.4	32.7	53.3
	Disagree	36	33.3	33.6	86.9
	Strongly Disagree	14	13.0	13.1	100.0
	Total	107	99.1	100.0	
Missing	Missing response	1	.9		
Total		108	100.0		

A total of 53.3% (32.7% agree plus 20.6%) of respondents agree that poor communication between the business and its customers, suppliers and others organisations has contributed to the business failure, while 46.7% (33.6% disagree plus 13.1% strongly disagree) disagree with this statement.

The results were divided with just over half of the respondents agreeing that lack of clear communication with external stakeholders could contribute to business failure, while just under half disagreed. A similar study conducted in Belgium by Ooghe and Prijcker

(2008:237) found that some factors which contributed to failure were unsatisfied customers and suppliers and banks which lost trust in the business. This emphasises the fact that good business communication with customers, suppliers and lenders is crucial for any business to be successful and sustainable. Several studies conducted by different authors such as Ooghe and Prijcker (2008:237), Arasti (2011:7490), Frynas and Mellahi (2011:86-88) and Krishnan *et al*. (2014:7) found that poor relationships with suppliers could lead to them doing damage to the entrepreneur's business, such as ending the business relationship, raising prices, reducing product quality, introducing vertical integration and lenders who avoid providing loans due to mistrust.

5.4.6 Insufficient managerial experience

Table 5.11 presents results on lack of management experience of respondents (managers/owners of small businesses) for the failed businesses in the municipal area of Viana. A total of 66.4% (24.3% agree plus 42.1% strongly agree) of respondents agreed with this statement while 33.6% (8.4% disagree plus 25.2% strongly disagree) disagreed.

Table 5.11: Insufficient managerial experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	45	41.7	42.1	42.1
	Agree	26	24.1	24.3	66.4
	Disagree	9	8.3	8.4	74.8
	Strongly disagree	27	25.0	25.2	100.0
	Total	107	99.1	100.0	
Missing	Missing response	1	.9		
Total		108	100.0		

The results indicate that almost two thirds of the respondents agreed that insufficient management experience caused their businesses to fail. Similarly, Mahamid (2012:281) found this factor as a pertinent influencer of business failure. Venter *et al.* (2008:86) state that a culture that accentuates the importance of entrepreneurial structures, passing on the relevant entrepreneurial knowledge and enabling the practice, possibly enhances the viability of the entrepreneur's business. This result can be linked to the results in Table 5.6 which imply that both expertise in business systems and management experience are important factors in the success of businesses.

5.4.7 The need for a professional adviser

Table 5.12 depicts results related to the absence of professional advice as being a contributing factor to business failure.

Table 5.12: Absence of a professional adviser

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	37	34.3	34.3	34.3
	Agree	28	25.9	25.9	60.2
	Disagree	31	28.7	28.7	88.9
	Strongly disagree	12	11.1	11.1	100.0
	Total	108	100.0	100.0	

Table 5.12 above reveals that a total of 60.2% (34.3% agree plus 25.9% strongly agree) of respondents agreed that lack of professional advice caused their business to fail, while 39.8% (28.7% disagree plus 11.1% strongly disagree) disagreed with this notion.

These findings indicate that the majority of respondents felt the absence of advice from business experts contributed to their business failure. Several authors opine that access to consultants who can provide expert professional advice is crucial for business continuation (Da Rocha, 2011:26; Mendes, 2012:14; Herrington, 2014:7). Barringer and Ireland (2010:325) posit that the role of professional business consultants is important as they could assist the entrepreneur to resolve difficult issues pertaining to the business viability.

5.4.8 Poor pricing strategy as a cause of business failure

Table 5.13 below depicts the participants' responses regarding the low or high price strategy as a contributor to business failure.

Table 5.13: Low or high price strategy as a contributor to business failure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	7	6.5	6.6	6.6
	Agree	19	17.6	17.9	24.6
	Disagree	61	56.5	57.5	82.1
	Strongly disagree	19	17.6	17.9	100.0
	Total	106	98.1	100.0	
Missing	Missing response	2	1.9		
Total		108	100.0		

Table 5.13 above shows that a total of 74.4% (57.5% disagree plus 17.9% strongly disagree) respondents disagree that low price or high price strategy are the cause of their business

failure while 24.6% (17.9% agree plus 6.6% strongly agree) respondents agree with this statement.

These results indicate that nearly three quarters of the respondents disagree that a poor price strategy contributed to their business failure. This implies that poor pricing strategy did not significantly contribute to the business failures. Holt (2013:65) found that decreasing price to gain competitive advantage was a highly influencing factor in business failure. Notably, highly priced products or services could decrease the demand if customers perceived them as not being good value for money, while prices which are too low could result in lower income. Small business managers should not neglect the importance of suitable price strategies as customers are very sensitive to these factors.

5.4.9 Uncontrolled expenditure

The results in Table 5.14 illustrate responses regarding uncontrolled expenditure as a cause of business failure.

Table 5.14: Uncontrolled expenditure as a cause of business failure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	46	42.6	43.0	43.0
	Agree	34	31.5	31.8	74.8
	Disagree	9	8.3	8.4	83.2
	Strongly disagree	18	16.7	16.8	100.0
	Total	107	99.1	100.0	
Missing	Missing response	1	.9		
Total		108	100.0		

Table 5.14 indicates that 74.8% (31.5% agree plus 43% strongly agree) of respondents agreed that uncontrolled expenditure possibly influenced their business failure, while 25.2% (8.4% disagree plus 16.8% strongly disagree) of respondents disagreed with this statement.

The results above indicate that nearly three quarters (74.8%) of the respondents agreed that uncontrolled expenditure had contributed to their business failure. These results are corroborated by Holt (2013:65) who found that poor cost control could contribute to the failure of many businesses. Barringer and Ireland (2010:341) maintain that ventures with a continuously negative monthly balance can experience a shortage of operational cash and the business becomes unsustainable. These results imply that respondents neglected to analyse the effects that poor cost control and uncontrolled spending could have on their businesses.

5.4.10 Failure to pay monthly lenders' interest

Table 5.15 shows results for respondents avoiding to repay interest incurred on money or products received in credit from lenders or suppliers.

Table 5.15: Avoiding payment of lenders' interest as a cause of failure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	10.2	10.3	10.3
	Agree	29	26.9	27.1	37.4
	Disagree	39	36.1	36.4	73.8
	Strongly disagree	28	25.9	26.2	100.0
	Total	107	99.1	100.0	
Missing		1	.9		
Total		108	100.0		

Table 5.15 indicates that a total of 62.6% (36.4% disagree plus 26.2% strongly disagree) of respondents disagreed that avoiding to repay lenders on a monthly basis had caused their businesses failure, while 37.4% (27.1% agree plus 10.3% strongly agree) of respondents agreed with this statement.

The study results indicate that the majority of respondents disagreed that failure to repay interest to lenders caused their business to go bankrupt. Entrepreneurs should not neglect to effectively manage their finances and operations, and fulfil their obligations as per their loan agreements. According to Dimitras *et al*. (1996:487), Nieman and Nieuwenhuizen (2009:126) and Holt (2013:61), money borrowed from lenders or products received in credit carry some debt risks and the failure to fulfil repayment obligations can cause the business to go bankrupt.

5.4.11 Lengthy cash conversion period

Table 5.16 indicates that a total of 53.7% (27.8% agree plus 25.9% strongly agree) of respondents agreed that the delay in converting goods to cash and holding products in store for lengthy periods, negatively influenced their business, while 46.3% (24.1% disagree plus 22.2% strongly disagree) disagreed.

Table 5.16: Delay in the conversion of goods to cash

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	28	25.9	25.9	25.9
	Agree	30	27.8	27.8	53.7
	Disagree	26	24.1	24.1	77.8
	Strongly disagree	24	22.2	22.2	100.0
Total		108	100.0	100.0	

The above results indicate that slightly over half of the respondents felt that they experienced business failure due to the retention of goods in store and the delay in converting goods to cash. Perhaps the lengthy conversion period was caused by less customer demand due to high competition, low product quality or obsolescence. Cronje *et al.* (2000:424) maintain that keeping a large amount of inventory in warehouse may cause cash flow problems and place the operational process at risk, as much of the operational capital will be tied up in these products. In contrast, keeping inventory levels too low may result in loss of sales as a result of an out-of-stock situation (Cronje *et al.*, 2000:424). Small business owners/managers should maintain inventory at a level that can minimise cost and risk and utilise a suitable inventory control system for effective management.

5.4.12 Failure to comply with tax regulations

Table 5.17 reflects results on respondents failing to comply with tax regulations.

Table 5.17: Non-payment of taxes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	8	7.4	7.4	7.4
	Agree	17	15.7	15.7	23.2
	Disagree	51	47.2	47.2	70.4
	Strongly disagree	32	29.6	29.6	100.0
	Total	108	100.0	100.0	

Results above indicate that 76.8% (47.2% disagree plus 29.6% strongly disagree) of respondents disagreed that non-compliance with government tax regulations was the cause of their business failure, while 23.2% (15.7% agree plus 7.4% strongly agree) agreed with this notion. Stiglingh, Koekemoer, van Schalkwyk, Wilcocks, de Swardt and Jordaan (2011:727) posit that tax avoidance can result in high costs to the business, imposed as penalties or to a business being closed down by the relevant tax authorities. Good business management involves complying with the government regulations such as payment of tax and basic conditions of employment.

5.4.13 Lack of marketing planning

Table 5.18 below indicates that a total of 69.1% (35.5% agree plus 33.6% strongly agree) of respondents agreed that lack of a proper marketing plan had contributed to their business failure while 30.9% (20.6% disagree plus 10.3% strongly disagree) disagreed.

Table 5.18: The lack of marketing planning as a cause of failure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	36	33.3	33.6	33.6
	Agree	38	35.2	35.5	69.1
	Disagree	22	20.4	20.6	89.7
	Strongly disagree	11	10.2	10.3	100.0
	Total	107	99.1	100.0	
Missing	System	1	.9		
Total		108	100.0		

These results correlate with the findings in Table 5.4 which revealed that 59.4% of respondents agreed that lack of a business plan contributed to their failed venture. Mahadea and Youngleson (2013:420) found that the majority of small businesses are at risk of failure due to lack of marketing and financial planning. Barringer and Ireland (2010:149) posit that failure to have a marketing plan may drastically affect the business' position in the market, as it would lack a thorough analysis of its products, prices, promotions, sales and distribution. The marketing plan would also help business managers to thoroughly analyse customers, raw materials and competitors in the market.

5.4.14 Lack of financial plan

Table 5.19 illustrates respondents' responses on lack of a financial plan being a contributing factor to business failure. A financial plan should be regarded as an essential tool by management, as it is necessary to sustain the business' viability.

Table 5.19: Lack of financial plan as a cause of failure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	47	43.5	43.5	43.5
	Agree	38	35.2	35.2	78.7
	Disagree	23	21.3	21.3	100.0
	Total	108	100.0	100.0	

The results above indicate that an overwhelming majority of 78.7% (35.2% agree plus 43.5% strongly agree) of respondents agreed that the lack of a financial plan had contributed to their business failure while 21.3% disagreed. There was no frequency response for 'strongly disagree'.

These results are corroborated by Barringer and Ireland (2010:341) and Youngleson (2013:420) who found that neglecting to monitor and effectively manage business resources and budgets to ensure a sustainable business turnover, is one of the primary reasons many businesses fail. Similarly, Holt (2013:65) found that major failure factors were associated with lack of effective accounting functions.

The above results suggest that the respondents neglected to develop a sound financial plan, which would have ensured that resources were efficiently managed to meet the overall business expenses.

5.4.15 Lack of financial accounting skills

Financial skills are crucial to the viability of a business. Table 5.20 illustrates respondents' responses to this statement.

Table 5.20: Lack of financial accounting skills

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	33	30.6	30.6	30.6
	Agree	54	50.0	50.0	80.6
	Disagree	1	0.9	0.9	81.5
	Strongly disagree	20	18.5	18.5	100.0
	Total	108	100.0	100.0	

Table 5.20 above illustrates that an overwhelming 80.6% (50% agree plus 30.6% strongly agree) of respondents agreed that lack of financial accounting skills caused their businesses to fail while only 19.4% (0.9% disagree plus 18.5% strongly disagree) disagreed.

These results indicate that lack of financial accounting skills was a very significant contributing factor to business failures in the municipal area of Viana. Holt (2013:65) corroborates this result, finding that most small businesses fail because managers lack the financial accounting skills to manage all financial aspects of their business and to achieve appropriate returns on investments. These results are further corroborated by Arasti (2011:7490) who found that in today's trading environment, managers who lack the skill to master and manage their financial resources may not be able to sustain their businesses in the market. Conversely, it implies that management with good financial skills would be able to successfully sustain their businesses.

5.4.16 Failure to record business transactions

Table 5.21 below illustrates results regarding the maintenance of financial records for the businesses surveyed.

Table 5.21: Failure to record business transactions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	52	48.1	48.1	48.1
	Agree	34	31.5	31.5	79.6
	Disagree	16	14.8	14.8	94.4
	Strongly disagree	6	5.6	5.6	100.0
	Total	108	100.0	100.0	

The results above show that a very significant 79.6% (31.5% agree plus 32.4% strongly agree) of respondents agreed that failure to record business transactions was a contributing factor to their business failure, while 20.4% (30.6% disagree plus 5.6% strongly disagree) of respondents disagreed with this statement. This study ascertained that more than three quarters (79.6%) of respondents in the municipal area of Viana agreed that lack of cash flow control had contributed to their business failure. These results relate to the findings in Table 5.20 above in that the majority of respondents lack accounting skills and this could have prevented them from effectively recording financial transactions. Similar studies of April (2005:112), Nemaenzhe (2010:iii) and Holt (2013:65) found that failure to control cash, including effective debtor management, causes the failure of small businesses. Considering the above, the researcher believes that an accurate recording and analysis of cash flow could alert one to potential business failure.

5.4.17 Failure to effectively control business resources

Table 5.22 below shows the results of whether respondents considered inadequate control of resources to be a contributing factor to business failure.

Table 5.22: Insufficient control of business resources as a cause of failure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	28	25.9	26.2	26.2
	Agree	49	45.4	45.8	72.0
	Disagree	7	6.5	6.5	78.5
	Strongly disagree	23	21.3	21.5	100.0
	Total	107	99.1	100.0	
Missing	Missing response	1	.9		
Total		108	100.0		

The results above indicate that a significant 72% (45.8% agree plus 26.2% strongly agree) of respondents agreed that inadequate control of business resources (such as finance, raw material, finished product, equipment and employees) contributed to their business failure, while 28% (6.5% disagree plus 21.5% strongly disagree) of respondents disagreed with this notion.

A similar study by Nemaenzhe (2010:221) found that lack of monitoring and control of internal activities and resources contribute to failure of small businesses. According to Wickham (2004:256) failure to effectively utilise and control all resources can critically affect the business. Ferreira, Erasmus and Groenewald (2009:207) posit that all business assets should be registered, monitored and controlled for effective and successful management of a business. Therefore, the business owners/managers (respondents) should not disregard the importance of controlling raw materials, finished products, equipment and employees.

5.4.18 Bad debts

Table 5.23 shows results regarding irrecoverable debts from customers.

Table 5.23: Customers' failure to pay debts

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	21	19.4	19.4	19.4
	Agree	18	16.7	16.7	36.1
	Disagree	39	36.1	36.1	72.2
	Strongly Disagree	30	27.8	27.8	100.0
	Total	108	100.0	100.0	

The above results indicate that a total of 63.9% (36.1% disagree plus 27.8% strongly disagree) of respondents disagreed that irrecoverable customers' debts had influenced their business failure, while 36.1% (16.7% agree plus 19.4% strongly agree) of respondents agreed with this statement.

The research results indicate that the majority of respondents disagreed that they experienced cash shortage due to bad debts. It can be assumed from these findings that most small business owners/managers would endeavour to obtain payment from debtors in order to avoid shortage of cash flow. Cronje *et al.* (2000:320) advise that before granting credit to customers evaluation credit check must be done and their financial resources and economic or business conditions should be investigated. However, if sales are made and customers show unwillingness to pay, recovery procedures must be implemented rigorously to avoid bad debts.

5.4.19 Cash flow problems at the start-up stage

The results in Table 5.24 below indicate responses from respondents regarding lack of capital at the start-up stage of their businesses.

Table 5.24: Lack of capital at start-up stage

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	34	31.5	31.5	31.5
	Agree	31	28.7	28.7	60.2
	Disagree	19	17.6	17.6	77.8
	Strongly disagree	24	22.2	22.2	100.0
	Total	108	100.0	100.0	

Results show that 60.2% (28.7% agree plus 31.5% strongly agree) of respondents agree that lack of capital at the start-up stage caused their businesses to fail, while 39.8% (17.6% disagree plus 22.2% strongly disagree) of respondents disagreed with this proposition.

A similar study conducted by Holt (2013:65) found that under-capitalisation is one of the major factors which contribute to small business failure. Barringer and Ireland (2010:341) explain that shortage of capital at the start-up stage is often experienced due to the high initial cash outlay for purchase of fixed assets, staff training, creating brand awareness and a negative cash flow. They further state that shortage of money for business operations at the start-up stage is absolutely one of the key factors that causes new businesses to fail. Therefore, the researcher believes it is the responsibility of small business owners/managers have enough funds in reserve to cover the first months of operations, so that shortage of cash flow is avoided.

5.4.20 Poor management of business bank account

Table 5.25 below indicates that a total of 72% (33.6% agree plus 38.3% strongly agree) of respondents agreed that failure to use separate bank accounts for business and personal needs has contributed to the failure of their business, while 28% (16.8% disagree plus 11.2% strongly disagree) of respondents disagreed with this statement.

Table 5.25: Using a unique bank account each for business and personal use

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	41	38.0	38.3	38.3
	Agree	36	33.3	33.6	72.0
	Disagree	18	16.7	16.8	88.8
	Strongly disagree	12	11.1	11.2	100.0
	Total	107	99.1	100.0	
Missing	Missing response	1	.9		
Total		108	100.0		

A significant majority of respondents agree that a business bank account should remain separate from a personal bank account and failure to adhere to this principle has contributed to the failure of their small businesses. According to Barringer and Ireland (2010:275), new ventures fail largely because of inadequate financial management and adopting appropriate principles in treating business accounts. Managing a business bank account is a big responsibility towards maintaining a successful business and the temptation of drawing from a business account for personal use must be avoided in order to circumvent a shortage of cash flow.

5.4.21 Management failure to collect from credit customers

The results in Table 5.26 below illustrate that a total of 86.1% (35.2% disagree plus 50.9% strongly disagree) of respondents disagreed with the statement that delay in collecting money from customers who bought on credit contributed to their business failure, while only 13.9% of respondents agreed and none strongly agreed with this notion.

Table 5.26: Delays in collecting from credit customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	15	13.9	13.9	13.9
	Disagree	38	35.2	35.2	49.1
	Strongly disagree	55	50.9	50.9	100.0
	Total	108	100.0	100.0	

These results are similar to the findings in Table 5.23, both showing that only a small percentage of businesses failed because of a bad debtor's book. Flynn *et al.* (2005:16) postulate that credit terms should be from 30 to 90 days and that accounts which remain outstanding after this period can cause cash flow problems in a small business. The results above imply that the majority of small business owners/managers under survey effectively manage their debtors. Similar studies by Mahamid (2012:269) and Holt (2013:65) found that management's delay in collecting debts is a most pertinent failure factor.

5.4.22 Lack of demand for products/services

Table 5.27 below indicates that a total of 72.6% (46.2% disagree plus 26.4% strongly disagree) of respondents disagreed that a lack of demand for their products or services was a contributing factor to their business failure, while 27.4% (20.8% agree plus 6.6% strongly agree) agreed with this proposition.

Table 5.27: Lack of demand for products/services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	7	6.5	6.6	6.6
	Agree	22	20.4	20.8	27.4
	Disagree	49	45.4	46.2	73.6
	Strongly disagree	28	25.9	26.4	100.0
	Total	106	98.1	100.0	
Missing	Missing response	2	1.9		
Total		108	100.0		

These results imply that not many businesses failed due to a lack of consumers. This perhaps could be the result of the high demand for diverse products in the economy while the country produces less to support its people (Anon., 2015:7). However, Dasgupta and Sanyal (2010:105) found that demand saturation was a major contributing factor to the failure of small businesses. Literature reviewed in this study highlighted that several businesses have failed because the demand for its products or services had shrunk (Balcaen & Ooghe, 2006:83; Lamb *et al.,* 2008:167). This could result because of poor product quality or obsolescence, or the market is invaded by other businesses in the same industry with a high competitive advantage.

5.4.23 Pressure of market competition

Table 5.28 below shows results on intense competition in the market as a cause of small business failure.

This table indicates that a total of 92.5% (29% disagree plus 63.5% strongly disagree) of respondents disagreed that numerous competitors in the market caused their business to fail, while 7.5% of respondents agreed with this statement. The results imply that there is low competitive pressure in the study area of Viana.

Table 5.28: Intense competition in the market

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	8	7.4	7.5	7.5
	Disagree	31	28.7	29.0	36.5
	Strongly disagree	68	63.0	63.5	100.0
	Total	107	99.1	100.0	
Missing	Missing response	1	.9		
Total		108	100.0		

Lack of competition would remove the necessity for businesses to deliver quality products or services or increase their innovativeness. These results differ from similar studies conducted by Mahamid (2012:269) and Holt (2013:65) who both found failure in small businesses to be influenced by a low margin profit due to increased competition. This could be related to the argument that in highly competitive market small enterprises should be innovative and seek to offer different goods from its competitors to be able to survive in the market. Arasti (2011:7488) posits that a business that is poorly managed and does not keep abreast of rapid technological development to retain a competitive edge, exposes itself to the possibility of being removed from the market.

5.4.24 Lack of competitive advantage in the market

Table 5.29 shows that 67% (38.7% disagree plus 28.3% strongly disagree) of respondents disagreed that lack of differentiation of their offerings from competitors' products was a factor which contributed to businesses failure, while 33% (18.9% agree plus 14.2% strongly agree) of respondents agreed with this proposition.

Table 5.29: Lack of differentiation of products/services from competitors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	15	13.9	14.2	14.2
	Agree	20	18.5	18.9	33.0
	Disagree	41	38.0	38.7	71.7
	Strongly disagree	30	27.8	28.3	100.0
	Total	106	98.1	100.0	
Missing	Missing response	2	1.9		
Total		108	100.0		

Competitive advantage is a concept which refers to products/services which are superior, different or of better value when compared to a competitor's offerings. However, these results imply that lack of competitive advantage was not a failure factor and that there was no competitive pressure in the study area (see Table 5.28). A similar study by Singer *et al.* (2015:45) found that the level of innovation in sub-Saharan Africa tends to be low, many competitors sell similar products and services and no products are considered as new. Other studies suggest that businesses which are not innovative, neglect to keep abreast of technological development or do not provide products or services of exceptional quality, can lag behind competitors and ultimately fail (Ooghe & Prijcker, 2008:237; Arasti, 2011:7488; Strydom, 2011:38). This is corroborated by Dasgupta and Sanyal (2010:105) who found that customers demanding better products at a lesser price was one of the major factors which contributed to business failure. In contrast, the majority of small business owners/managers in the municipal area of Viana did not believe that lack of competitive advantage caused business failure.

5.4.25 Neglecting to attend to customer complaints

Table 5.30 below indicates that 63.5% (38.3% agree plus 25.2% strongly agree) of respondents agreed that negligence in attending to customers' complaints contributed to the failure of their business, while 36.5% (10.3% disagree plus 26.2% strongly disagree) of respondents disagreed with this statement.

Table 5.30: Neglecting to attend customers' complaints

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	27	25.0	25.2	25.2
	Agree	41	38.0	38.3	63.5
	Disagree	11	10.2	10.3	73.8
	Strongly disagree	28	25.9	26.2	100.0
	Total	107	99.1	100.0	
Missing		1	.9		
Total		108	100.0		

The above results imply that a significant majority of respondents have disregarded complaints from customers about poor service delivery and/or obsolete products, which appear to be of major concern in the Angolan market. This is supported by Dasgupta and Sanyal (2010:105) who found that incorrect handling of complaints from customers degrade the business goodwill and lead to business failure. Furthermore, Ooghe and Prijcker (2008:237) opine that ignoring complaints from customers can lessen demand for a product, caused by customer dissatisfaction or loss of trust. These are critical factors which could contribute to business failure. A non-satisfied customer can make negative comments about a business through word of mouth or in the social media and result in significant loss of sales.

5.4.26 Failure to cultivate product awareness

Table 5.31 below shows responses on failure to cultivate product awareness as a contributing factor to business failure.

Table 5.31: Failure to cultivate product awareness as a factor of failure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	17	15.7	15.9	15.9
	Agree	12	11.1	11.2	27.1
	Disagree	35	32.4	32.7	59.8
	Strongly disagree	43	39.8	40.2	100.0
	Total	107	99.1	100.0	
Missing	Missing response	1	.9		
Total		108	100.0		

Table 5.31 illustrates that a total of 72.9% (32.7% disagree plus 40.2% strongly disagree) of respondents disagreed that failure to cultivate product awareness had contributed to their businesses failure, while 27.1% (11.2% agree plus 15.9% strongly agree) agree with this statement. This implies that nearly three quarters of business owners/managers in the study area of Viana did not experience business failure because of poor marketing of products or services. These findings could relate to the findings in Table 5.28 which report an absence of competition in the market. A similar study conducted by Khalfan (2003:756) found that failure to cultivate product awareness and pay attention to cultural and environmental issues is a significant contributing factor to small business failure. However, this differs from the above results which indicate that only a small number of respondents believed that lack of spreading awareness of their products caused their businesses to fail. Thus, the advertisement of small business products or services should enhance demand.

5.4.27 Theft of assets as a cause of business failure

Table 5.32 below illustrates results regarding the theft of cash, goods or equipments as a cause of failure.

Table 5.32: Theft of business assets as a cause of business failure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	64	59.3	59.3	59.3
	Agree	16	14.8	14.8	74.1
	Disagree	25	23.1	23.1	97.2
	Strongly disagree	3	2.8	2.8	100.0
	Total	108	100.0	100.0	

Table 5.32 indicates that 74.1% (14.8% agree plus 49.3% strongly agree) of respondents agreed that theft of their business assets contributed to failure but 25.9% (23.1% disagree plus 2.8% strongly disagree) disagreed with this statement.

Nearly three quarters of the respondents agreed that their businesses failed due to crime. The types of crime that small businesses mostly suffer are burglary and robbery, petty theft, shoplifting, counterfeit money, credit card fraud and hijacking. These findings are corroborated by Mofokeng (2012:203) who found that 94% of SMEs failed due to theft of equipment and raw material. This implies that crime against a small business could cause it to fail due to the major loss of business assets, or continuous theft by employees can gradually deplete the business and ultimately cause total failure. According to Mbonyane and Ladzani (2011:558) a small business that is attacked by criminals can be left with serious debt and liabilities, and if not assisted financially by banks or government support agencies, the effects can lead to business failure.

5.4.28 Bribery and corruption as a cause of business failure

Table 5.33 below indicates that 71.3% (31.7% agree plus 39.6% strongly agree) of respondents agreed that excessive bribery and corruption contributed to their businesses failure, while only 28.7 (10.9% disagree plus 17.8% strongly disagree) disagreed with this statement.

Table 5.33: Bribery and corruption as a cause of business failure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	40	37.0	39.6	39.6
	Agree	32	29.6	31.7	71.3
	Disagree	11	10.2	10.9	82.2
	Strongly disagree	18	16.7	17.8	100.0
	Total	101	93.5	100.0	
Missing		7	6.5		
Total		108	100.0		

The above results align with the World Bank (2011) which found that of 10 obstacles which face businesses in Angola, corruption headed the list and was revealed by Angolan firms as the major factor which hampered their businesses. Dishonest employees and corrupt government officials seriously threatened the well-being and success of a business. Frynas and Mellahi (2011:51-52) suggest that a country with a high level of corruption can badly impact the business macro environment through higher cost of start-up, poor economic infrastructure, disregard of regulatory system, increased crime, taxes and a create a very difficult environment in which to operate and sustain a business.

5.4.29 Lack of entrepreneurship schools for skills development

Table 5.34 illustrates that a total of 57.7% (21.2% agree plus 36.5% strongly agree) of respondents agreed that lack of entrepreneurial schools to gain knowledge and skills development have contributed to their business failure, while 42.3% (15.4% disagree plus 26.9% strongly disagree) disagreed with this statement.

Table 5.34: Lack of business management training and development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	38	35.2	36.5	36.5
	Agree	22	20.40	21.2	57.7
	Disagree	16	14.8	15.4	73.1
	Strongly disagree	28	25.9	26.9	100.0
	Total	104	96.3	100.0	
Missing		4	3.7		
Total		108	100.0		

Bloom *et al*. (2006:IV) and Zinga *et al.* (2013:498) maintain that the failure of many African countries to offer tertiary education, business management training and development has denied the opportunity to many entrepreneurs to acquire the necessary management skills to sustain their enterprises. Business education would greatly increase entrepreneurial skills, knowledge, management skills and foster an understanding of business systems and resource management in order to sustain an economic growth and development. Venter *et al.* (2008:23) state that confidence and skills in business management is imparted through education and training.

5.4.30 Lack of financial support

Table 5.35 shows that 69.2% (19.6% agree plus 49.5% strongly agree) of respondents agreed that lack of financial support was a major contributing factor to their business failure. On the other hand, 30.8% of respondents disagreed but not one participant responded that they strongly disagreed with this statement.

Table 5.35: Inadequate financial support as cause of failure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	53	49.1	49.5	49.5
	Agree	21	19.4	19.6	69.2
	Disagree	33	30.6	30.8	1000
	Total	107	99.1	100.0	
Missing		1	0.9		
Total		108	100.0		

These findings reveal that more than two thirds of the respondents agreed that lack of financial support had caused their business to fail. This includes lack of support from financial institutions, families and friends, making it impossible for entrepreneurs to sustain their businesses if their own savings are depleted and they are unable to cover operational costs any longer. Authors such as Da Rocha (2011:37), Lundahl (2005:32-33) and Mendes, 2012:17) emphasise that weak financial support to small businesses and barriers or restrictions in obtaining funding from financial institutions due to poor collateral, critically impact on the success of many businesses. Similar studies conducted by Arasti (2011:7488) and Gwija (2014:56) found that difficulties in obtaining funding from financial institutions was of great concern when starting up small businesses. The World Bank (2013:54) and IMF (2014:7) found that Angola has significantly strengthened its funding system since 2012, improving almost all aspects from the accuracy of credit information to improved and easier access to funding. Although improvements have been made to credit accessibility, the results of this study show that more financial support should be provided to small businesses in order for them to remain viable and grow.

5.4.31 Stringent procedures in licensing a business

Table 5.36 illustrates that a total of 60.9% (27.6% agree plus 33.3% strongly agree) of respondents agreed that the stringent procedures in licensing a businesses in the municipal area of Viana contributed to their business failure, while 39.1% (23.8% disagree plus 15.3% strongly disagree) disagreed with this statement.

Table 5.36: Stringent procedures to license a business in pre-start-up stage

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	35	32.4	33.3	33.3
	Agree	29	26.9	27.6	60.9
	Disagree	25	23.1	23.8	84.7
	Strongly disagree	16	14.8	15.3	100.0
	Total	105	97.2	100.0	
Missing	Missing response	3	2.8		
Total		108	100.0		

More than half of the respondents agreed that the excessive rules and regulations in licensing their businesses had consumed all their money and contributed to their failed businesses. These results are corroborated by Arasti (2011:7488) who found that non-supportive government policies were a pertinent factor in the failure of small businesses. According to Herrington (2014:6), small businesses face major problems in obtaining the crucial licences and permits to start and grow their businesses in Angola and this poses more of a barrier than finance and infrastructure condition. Nieman and Nieuwenhuizen (2008:12) state that to allow for more entrepreneurial creation and development it is vital that red tape should be minimised and a stable political environment must be created. Therefore, the findings of this study ascertained that government regulations negatively affect small businesses.

5.4.32 Scarcity of skilled people

Table 5.37 below illustrates the results on whether the shortage of skilled people in the research area was a cause of business failure.

Table 5.37: Scarcity of skilled people

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	36	33.3	34.3	34.3
	Agree	39	36.1	37.1	71.5
	Disagree	20	18.5	19.0	90.5
	Strongly disagree	10	9.3	9.5	100.0
	Total	105	97.2	100.0	
Missing	missing response	3	2.8		
Total		108	100.0		

The results in Table 5.37 above indicate that 71.5% (37.1% agree plus 34.3% strongly agree) of respondents agreed that scarcity of skilled people in the study area contributed to their business failure, while 28.5% (19% disagree plus 9.5% strongly disagree) of respondents disagree with this statement.

The shortage of skilled people in the area made it difficult to obtain qualified employees and the scarcity of professional people with skills and knowledge to complete specific tasks or deliver a particular service, contributed to the failure of the business.

Several authors such as Da Rocha (2011:26), Herrington (2014:7) and Mendes (2012:14) found that the civil war in Angola caused a mass exodus of professional and skilled people. Nieman and Nieuwenhuizen (2009:127) opine that people are critical resources which bring the appropriate skills and information to the business. Their general understanding of the business system will ultimately impact on the business' strategic decision and significantly influence the business' failure or success.

5.4.33 Unavailability of raw material in the market

Results in Table 5.38 below show that a total of 79.7% (35% agree plus 44.7% strongly agree) of respondents agreed that the lack of raw material in the country contributed to the failure of their businesses. However, 20.3% (18.4% disagree plus 1.9% strongly disagree) of respondents disagreed with this statement.

Table 5.38: Unavailability of raw material

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	46	42.6	44.7	44.7
	Agree	36	33.3	35.0	79.7
	Disagree	19	17.6	18.4	98.1
	Strongly disagree	2	1.9	1.9	100.0
	Total	103	95.4	100.0	
Missing	Missing response	5	4.6		
Total		108	100.0		

An overwhelming majority of respondents felt that the unavailability of raw materials in Angola contributed to their businesses failure. This could be as a result of the Angolan economy being highly dependent on importation and having very few own manufacturing companies (Africa Economic Outlook, 2014:3). These results are corroborated by Dasgupta and Sanyal (2010:105) who confirm that scarcity of raw materials causes supply risks to small businesses. These authors further maintain that the effect of this raw material shortage places overload on the financial and physical resources of a business (Dasgupta & Sanyal, 2010:105). Similarly, a study conducted by Ooghe and Prijcker (2008:237) found that the high cost of raw materials causes suppliers to lose trust. Nieman and Nieuwenhuizen (2009:127-128) suggest that entrepreneurs should consider availability of raw materials when selecting a suitable primary market environment into which to enter in the industry.

5.4.34 Inadequate supply of water and electricity

Table 5.39 indicates the frequency of respondents' views regarding lack of access to water and electricity in the municipal area of Viana.

Table 5.39: Lack of access to water and electricity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	42	38.9	40.8	40.8
	Agree	17	15.7	16.5	57.3
	Disagree	34	31.5	33.0	90.3
	Strongly disagree	10	9.3	9.7	100.0
	Total	103	95.4	100.0	
Missing		5	4.6		
Total		108	100.0		

The above results show that 57.3% (16.5% agree plus 40.8% strongly agree) of respondents agreed that inadequate supply of water and electricity in the municipal area of Viana contributed to the failure of their businesses, while 42.7% disagreed with this notion.

The empirical evidence of this study reveals that infrastructure problems, such as erratic water and electricity supply in Viana, have hampered and prevented more than one half of the surveyed businesses from being viable and successful. According to Jover *et al.* (2012:78), 66% of Angolan businesses rely on their own generators to supply electricity for daily operations, which significantly contributes to the high operational costs and hinders expansion, diversification and development of private industry. Furthermore, a significant number of businesses rely on their own constructed water reservoirs for water supply. Therefore, an adequate power and water supply is needed to create a favourable entrepreneurial environment, in order to increase the viability of entrepreneurial activities in the Angolan economy.

5.4.35 Customers' difficulties in accessing the business facility

The results in Table 5.40 indicate that a total of 49.1% (27.9% agree plus 21.2% strongly agree) of respondents agreed that inadequate infrastructure made it difficult for customers to access the business and purchase goods but 50.9% (26.9% disagree plus 24% strongly disagree) disagreed with this proposition.

Table 5.40: Inadequate infrastructure conditions where the business was located

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	22	20.4	21.2	21.2
	Agree	29	26.9	27.9	49.1
	Disagree	28	25.9	26.9	74.0
	Strongly disagree	25	23.1	24.0	100.0
	Total	104	96.3	100.0	
Missing	Missing response	4	3.7		
Total		108	100.0		

These results indicate a 50/50 divided opinion on this statement. However, Ihua (2009:199) found that poor economic conditions and infrastructural inadequacy were critical business failure factors in Africa. Nieman and Nieuwenhuizen (2009:128) support that an unsuitable business location and forces of nature such as flood, can also negatively impact on business performance. Therefore, it can be deduced that inadequate infrastructure at a business' location is a contributing factor to business failure.

5.4.36 Additional factors

Additionally, respondents were requested to suggest other factors that influenced the failure of their businesses. The responses were analysed and the two predominant reasons which emerged were loss of raw material in the customs service and poor product quality. Table 5.41 reflects 17 responses which were deemed as valid for this question.

Table 5.41: Additional failure factors

	Frequency	Percent
Loss of raw material in the customs service	12	70.6
Poor product quality	9	52.9

The results above indicate that from 17 respondents, 12 (70.6%) identified loss of raw material in the customs service as a potential contributing factor towards their business failure, while 9 (52.9%) respondents suggested poor product quality.

A) Loss of raw material in the customs service

The research results in Table 5.41 indicate that more than two thirds (70.6%) of respondents in the study area of Viana presume that loss of raw material in the customs services has contributed to their business failure. However, the issues relating to the loss of raw material in the customs service can be explained by authorities placing an embargo on the importation of certain products, documentation being faced with bureaucratic hurdles and lack of an arena in which to dispute the lost product.

B) Poor product quality

Results indicate that 52.9% of the respondents suggested that the poor quality of their products is a pertinent factor which contributed to the failure of their business. According to Ooghe and Prijcker (2008:237), Arasti (2011:7488) and Strydom (2011:38) a business which neglects to supply superior product or service will lag behind its competitors and fail. Wickham (2004:244) maintains that the product or service to be offered by a small business should be of value to fill a gap in the marketplace, and be able to compete effectively with large companies that offer similar products.

5.5 Actions needed by Angolan government to curb high business failure rate

Respondents were requested to suggest some remedial solutions that government could implement to prevent the high rate of business failure in Luanda. Responses were received from 46 respondents but only 42 were deemed to be valid after considering the consistency of the questions. The most common responses were:

- remove the red tape;
- provide more support and encouragement to entrepreneurs;
- fight corruption;
- create facilities for entrepreneurial skills and training development; and
- improve infrastructure

Table 5.42 below lists the suggestions ranked by frequency in descending order.

Table 5.42: Measures for preventing high rate of business failure in Luanda

	Frequency	Percent
Remove the red tape	27	64.3
Provide more support and encouragement to entrepreneurs	19	45.2
Fight corruption	14	33.3
Create facilities for entrepreneurial skills and training development	9	21.4
Improve infrastructure	4	9.5

The results in Table 5.42 indicate that from 42 respondents 27 (64.3%) of them believe that the government should remove the red tape involved in accessing businesses documents and importations, 19 (45.2%) respondents suggested that more support and encouragement to small business entrepreneurs should be provided, 14 (33.3%) respondents suggested the implementation of severe anti-corruption measures, while 9 (21.4%) respondents suggested that there should be more facilities for entrepreneurial skills and training development. Lastly, 4 (9.5%) respondents proposed improvement of infrastructure.

Therefore, the research results reveal that the majority (64.3%) of respondents suggested that the government must remove the red tape involved in obtaining business licences and permits, while the need for improvement of infrastructure was proposed by only 9.5% of respondents.

Entrepreneurs still face many challenges and constraints in the Angolan economy—access to finance is difficult, training and skills development is lacking, there are weak incentives for domestic production and complex red tape hinders entrepreneurs in obtaining business licences and permits. Furthermore, corruption is rife, the workforce is poorly educated, customs and trade regulations are stringent and bureaucracy controls licensing of businesses. All of the above are supported by de Oliveira (2011:296) and Dias (2013) as being factors which hinder business operations and contribute to the high business failure rate in Angola.

5.6 Conclusion

Data related to the empirical study in the municipal area of Viana was presented and analysed. Demographic information and business profiles of respondents were presented. Possible reasons which could have contributed to business failure were examined.

The results revealed that there were numerous factors which influenced the failure of small businesses in the study area. These factors will be discussed in the following chapter under the stated objectives of this study.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The previous chapter discussed data analysis, interpretation and findings. This chapter draws conclusions and proposes recommendations which will assist the Angolan government in effective policy-making to mitigate the high rate of business failure which exists in Angola. The preceding chapters are summarised and the research objectives are revisited. The main objective of this study was to determine the factors which influence the failure of small businesses in the Viana municipal area in Luanda, Angola.

Chapter Six is set out as follows:

- Summary of preceding chapters
- Objectives of the study
- Findings, specific to the demographic information of respondents and their business profile
- Findings specific to the stated sub-objectives
- Recommendations
- Conclusion

6.2 Summary of preceding chapters

6.2.1 Chapter One

Chapter One outlined the fundamental structure of this study. A background to the study was provided and also some assumptions causative of the stated problem. The significance of this study and the contribution of the research to the subject and body of knowledge was discussed. Furthermore, the chapter provided a short explication of the research methodology and design of this study, as well as the outline for each chapter.

6.2.2 Chapter Two

In Chapter Two an in-depth review is undertaken of existing literature pertaining to business failure and the factors which influence small enterprise failure and success worldwide, in order to acquire knowledge and gain a global perspective on factors contributing to business failure. In addition, this chapter reviews business environmental factors which are necessary for business development and viability.

The literature review on failure phenomena indicates that failure merely denotes a condition that is assumed when a business closes down and the established objectives are not achieved. Regarding the causative factors of failure and success, their occurrence depends on the entrepreneur/manager himself on how well attention is paid to each of the principles of management and internal factors composing their business environment. It also depends on how the venture conducts its daily operations and decisions taken in the event of risks presented by its external environment.

To sum up the literature, it indicates that failure factors which occur in small businesses are more likely to be caused by management problems and deficiencies in financial accounting and relevant administration skills. It highlights that problems arising from lack of experience and leadership skills, lack of capacity to differentiate businesses in the market, lack of innovativeness and unfavourable economic conditions in the host country, to a certain extent cause small businesses to cease operations. The literature indicates that although the necessary skills and knowledge on how to start up and manage a business can be mastered, risks in decision-making, as well as unforeseen obstacles, challenges and barriers are ever-present in the business environment. These factors may change the accepted norms of running a business and cause the business to fail.

Therefore, a healthy environment is necessary for business development and viability. This should include a supportive market which is easy to enter, availability of cultural entrepreneurship practices, availability of people with skills and a willingness to work and fundamental state inputs and supportive measures. These supportive market elements, combined with entrepreneurial business knowledge and experience and business-related technical, leadership and financial skills, are necessary for positive entrepreneurial growth and development.

6.2.3 Chapter Three

Chapter Three provided a background to the Angolan economy and gave an overview of small businesses in the country. It further reviewed the available government support measures as well as the opportunities for small enterprises in the Angolan economy.

The reviewed literature highlighted that the socioeconomic development of Angola is hindered by a high unemployment rate, low standard of living, shortage of skilled people and a disregard for education. The above challenges, plus inadequate infrastructure, corruption which is rife and hurdles in the initial phases of starting a business, are hindrances to the success of small businesses in Angola. Although some support for MSMEs is available, a more effective supportive business environment should be created to encourage diversification and ameliorate the massive economic challenges that small businesses face in Angola.

6.2.4 Chapter Four

Chapter Four examined the research methodology and design utilised in this study. The research methods and techniques, the research area, the target population, the design of the data collection instrument (questionnaire) and data collection and analysis of data were discussed.

6.2.5 Chapter Five

Chapter Five presented the analysis and discussion of the results of the empirical study. The statistical processing of the collected data was addressed, as well as the presentation and analysis of the processed data. The results were presented, analysed and interpreted in relation to the research questions and the research objective which was to determine the factors which influence the failure of small businesses in Luanda province in Angola.

6.3 Objectives of the study

Based on the main objective of this study which was to determine the factors which influence the failure of small businesses in Luanda province in Angola, the following four sub-objectives were formulated to achieve the main objective:

- To investigate the impact of managerial competencies and financial skills on the failure of small businesses.
- To examine the impact of market competition on the failure of small businesses.
- To examine the role that economic factors play in failure of small businesses.
- To provide recommendations on how to mitigate high small business failures in Luanda.

6.4 Findings, specific to the demographic information of respondents and their business profile

The main objective of this study was to determine the factors which influence the failure of small businesses in Luanda province in Angola. The empirical results collected via the questionnaire data collection instrument from small businesses managers and owners in the Viana municipal area of Luanda, revealed the following findings:

- Most of the failed businesses in Viana were operated by contracted managers (41.1%) and business owners who managed and controlled their own businesses were the minority (26.2%).
- The majority of respondents were Angolan (64.8%) and the balance of respondents comprised foreigners such as Malians, Portuguese, Congolese, Somalis, Kenyans and Chinese were also represented. These foreigners all experienced business

failure due to the macroeconomic environmental challenges, including lack of awareness of local culture in Angola which is very important.

- It was found that the majority of managers/owners of the failed small businesses in the study area are male (70.4%).
- Most respondents fell within the 31 to 40 years age group (35.2%) and 41 to 50 years age group (29.6%). These were the most active groups engaged in entrepreneurial activities. However, younger respondents in the 21 to 30 years range (17.6%) were also represented as owners/managers of small businesses in the municipal area of Viana.
- It was found that the majority of failed businesses were operating as retailers (29.6%) and as service providers (20.4%) for the community and other businesses, while a few were operating in the agricultural sector (1.9%).
- The majority of respondents did not have the benefit of a mentor or role model (62%).
- It was found that majority (59.4%) of managers and owners did not have a business plan for their failed business, while of those who did have a business plan (40.6%), the majority of them did not operate their businesses in accordance with their business plan (81.3%).

6.5 Findings specific to the four sub-objectives

This section presents the summarised findings in relation to the previously stated sub-objectives.

6.5.1 Sub-objective one

Sub-objective one was to investigate the impact of managerial competencies and financial skills on the failure of small businesses.

It was found that skills shortages in the following areas were critical factors which contributed to small business failure in the study area of Viana:

- financial accounting;
- planning;
- control of business resources; and
- Business systems.

The empirical results indicated the following:

- The majority of respondents agree that they lack financial knowledge and skills (80.6%).
- The majority did not keep records of transactions (79.6%).
- The majority did not have a financial plan or budget (78.7%).
- There was a delay in collection of money from credit customers (49.1%).

- There was avoidance to repay lenders' monthly base instalments (37.4%)
- Low price or high price strategy caused some business to fail (24.6%).

These factors prevented the business managers/owners from utilising resources effectively, analysing the capital outlay, calculating risks and tracking the downfall of their business.

Results further revealed the following factors which contributed to business failure:

- Managers lack business knowledge and skills (71.3%)
- Lack of previous experience (66.4%)
- Failure to keep business bank account separate from personal bank account (72%)
- Disregarding customer complaints (63.5%)
- Lengthy period of retention of goods before converting to cash (53.7%)
- Poor quality of products (52.9%)
- Lack of effective communication with external stakeholders (53.3%)
- Lack of effective communication with employees (25.9%)

Further financial and managerial factors which contributed to business failure were:

- Insufficient leadership skills (69.4%)
- Lack of capital on start-up stage (60.2%)
- Lack of delegation skills in order to free themselves from work overload (68.2%)
- Inadequate control of business resources such as raw materials or finished products, equipment and employees (72%)
- The above factors caused operational costs to escalate drastically (74.8%)
- Lack of marketing knowledge and planning (69.1%)

6.5.2 Sub-objective two

Sub-objective two was to examine the impact of market competition on the failure of small businesses in the study area of Viana.

There was found to be very little competitive pressure in the study area of Viana, so competitive pressure was not a contributing factor to business failure.

The findings indicate that:

- Competitive pressure exists in the study area of Viana (7.5%)
- Business failed due to market competition (7%)
- Negligence in cultivating brand awareness (27.1%)
- Less demand for products/services (27.4%)
- Lack of competitive advantage (33%)

According to Hernandez *et al*. (2013:40-41) and Herrington (2014:6) there is very little competition between businesses in Angola and many of them lack strategic approaches to excite competition. This situation is due to the fact that there are very few local manufacturing businesses local suppliers of raw materials in the Angolan economy, which is greatly dependent on importation. There is a high demand for diverse products in the economy while the country produces less to support its people (Africa Economic Outlook, 2014:3; Anon., 2015:7; IMF, 2014:9; World Bank, 2014b). Furthermore, these latter factors dissuade people from entering into a business venture as most products consumed in the country have to be imported.

6.5.3 Sub-objective three

Sub-objective three was to examine the role of economic factors in the failure of small businesses.

The results revealed the following as factors which contribute to business failure:

- Lack of support from the economy, non-availability of raw material (79.7%)
- Extreme theft crime rate (74.1%)
- Severe corruption (71.3%)
- Shortage of skilled people (71.5%)
- Weak financial support (69.2%)
- Barrier to entry in obtaining necessary licences and permits (60.9%).

These findings imply low productivity in Angola, which prevents small businesses from conducting entrepreneurial activities due to scarcity of raw material. Angop (2013), Da Rocha (2011:26) and World Bank (2014b) opine there is the need for urgent economic diversification. The excessively strict rules and regulations and high rate of corruption within the economy, can deplete the finances of a small business to the extent that it is unable to continue operations.

Others factors which contributed to business failure were:

- Lack of entrepreneurial schools to gain knowledge and skills development (57.7%)
- No professional advice available (60.2%)
- Lack of access to water and electricity, drastically increased operational costs (57.3%)
- Poor infrastructure where the business was located (49.1%).

6.5.4 Sub-objective four

Sub-objective four was to provide recommendations on how to mitigate the high business failure rate in Luanda. This objective was formulated to provide recommendations to the government and other stakeholders, to mitigate the high number of business failures in Angola.

Five remedies that require action from the Angolan government were identified. General recommendations emanating from the results of this research and supported by the reviewed literature were also provided, which should assist the Angolan government in effective policy-making.

A) Remove red tape

Results suggest that the Angolan government should remove the red tape involved in obtaining the required businesses documentation. Trading restrictions should be reduced as well as the excessive legal rules and regulations that may discourage entrepreneurs from exploiting business opportunities (Nieman & Nieuwenhuizen, 2009:12-13). Removal of major bureaucratic rules and regulations that entrepreneurs face should help in improving competitiveness in the economy, as more businesses would be entering the market.

B) Provide more support and encouragement to entrepreneurs

The findings of this study suggest the need for government support and encouragement to entrepreneurs. However, among other elements needed for a healthy entrepreneurial environment in Angola, the government and support agencies should provide a range of support services necessary to develop small businesses, such as those presented by Nieman and Nieuwenhuizen (2009:13) in their model for entrepreneurial development (see Figure 2.1), which include business advice, counselling, mentoring, finance facilities, training, incubators and clusters.

C) Fight corruption

Corruption is dishonest behaviour by people in positions of power such as government officials and is usually accompanied by the acceptance of bribes. Corruption should be dealt with by the law but in Angola it is the law that has ignored this state of affairs and allowed the economy to become corrupt. This study deems it necessary for the government to implement serious measures to fight corruption in Angola. Government should minimise the power of individuals as well as the bureaucratic procedures. Information should be easy to access, laws should be upheld and enforced and transparency and respect must be demanded.

D) Create facilities for entrepreneurial skills and training development

Beside the entrepreneurship programme in the ongoing secondary school curriculum reform in Angola and new incubator support programme from INAPEM, this study suggests that there should be more facilities for entrepreneurial skills and training development, institutions that are active in promoting entrepreneurship. Nieman and Nieuwenhuizen (2009:12-13) support this notion and opine that universities and other educational institutions play an important role in this field. Training and development programmes should encourage entrepreneurship and offer education on all aspects of the management process and business systems. Furthermore, large companies, private agencies and non-government organisations should help small businesses via their social responsibility programmes by providing funds to the relevant institutions for effective research, training and skills development.

E) Improve the infrastructure

The basic infrastructure in Angola is inadequate and requires improvement. Erratic supply of water and electricity has drastically increased the operational costs of several small businesses in Viana. It is proposed that urgent attention is given to this matter, while government should also not neglect the improvement of other infrastructural elements such as roads and telecommunications which are crucial in any successful economy.

6.6 Recommendations

Based on the above findings, the following recommendations are made.

Recommendation 1

Many small business entrepreneurs lack knowledge of business operating systems and do not possess financial and management skills. These skills are vital to the success and viability of a business operation. However, since most small businesses operate on a basis of sole decision-making, it is important that the entrepreneur/manager should have the necessary business knowledge and primary skills to start a business, or make a concerted and sustained effort to learn these skills. The entrepreneur must be well informed about the industry, have good knowledge of the product or service, possess overall management and financial skills, and strive to quickly learn new skills as the business requires (Wickham, 2004:245). It is recommended that the Angolan government should provide facilities for skills and training development of entrepreneurs, as previously discussed in this chapter (point D above).

Recommendation 2

Business knowledge and experience can be acquired from previous employment in other organisations or from family cultural entrepreneurial experience and practices. However, in the absence of the above channels an alternative means of transferring the relevant entrepreneurial training, skills and knowledge should be available. This could take the form of successful entrepreneurs' role models, business mentors and coaches (Da Rocha, 2011:26; Herrington, 2014:7; Mendes, 2012:14). Although a capacity-building support programme (training, consultancy and incubation) for entrepreneurs and MSMEs is encompassed in the Angola Investe programme, the government should facilitate the engagement of non-government organisations and private agencies to assist and develop a variety of similar programmes.

Recommendation 3

Entrepreneurial skills development and capital should be accessible to entrepreneurs. Shortage of capital for a business in the start-up stage is common to the new venture, due to the initial business set-up expenses. The entrepreneur's personal funds and resources constitute the primary source of capital, own valuable effort and time invested in the business. Creativity, cost-cutting and saving tactics must be practised before approaching friends or family for support or external funding (Barringer & Ireland, 2010:342). For an effective financial support environment, the Angolan government should annually budget for small business development. This should not be a once-off capital injection for a determined period, it must be included in the annual government financial budget.

Recommendation 4

Competition is core to the operation of markets and fosters innovation, productivity and growth. Competition gives businesses incentives to efficiently improve production and distribution, to keep abreast of technology and to be innovative.

Weak competition in an economy permits businesses to deliver inferior quality products or services, reduces the drive for innovation and positions a business to charge uncontrolled high prices for products/services. In support of this, Barringer and Ireland (2010:177-178) maintain that strong market competition could increase the degree of product differentiation between businesses which may encourage creativity and innovation. Therefore, increasing competition between businesses could ultimately benefit the Angolan economy with various ranges of quality products at lower prices, increase diversification for sustainable economic growth, increase employment, decrease poverty level, and increase taxes to cover many public services expenses. However, to increase competition in the Angolan economy, the government should promote and support entrepreneurship, make the market more desirable to national and international investors, and remove unnecessary entry barriers in the form of restrictions on business licences and permits (Nieman & Nieuwenhuizen, 2009:127-128).

Recommendation 5

Small businesses depend greatly on skilled people and raw material availability in the host country, although these can be acquired from foreign countries. However, raw material acquired from foreign countries can be very expensive in comparison to similar materials which originate in the host country, after considering the total cost of sale. The majority of businesses in Angola have failed due to lack of raw material and skilled people. However, to address the above issues the Angolan Government should focus on the supply of such resources and invest in production of primary products and raw material, education, agriculture, and manufacture.

6.7 Conclusion

This study was initiated to determine the factors which influenced the failure of small enterprises in a selected municipal area in Luanda, Angola. The study has generated successful understanding of the overall factors causative of business failure. The failure factors pertaining to the research objectives were met, and relevant recommendations were provided.

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APPENDIX A: QUESTIONNAIRE COVERING LETTER

Cape Peninsula University of Technology

Factors influencing the failure of small enterprises in a selected municipal area in Luanda, Angola.

This questionnaire has been created to investigate the factors influencing the failure of small businesses in Luanda. The final results should assist government in effective policy-making with regard to the high rate of small businesses failing in Angola. It should help to minimise certain business failure risks, and correspondingly could increase the number of business successes and strengthen economic growth and diversification.

Please note that your information will be treated in a strictly confidential manner, as it will be used for academic purposes only. Your participation in this survey is absolutely voluntary.

Please read and follow instructions and frankly answer all the questions.

In case difficulty in completing the questionnaire is encountered, please contact:

Mateus Vicente Justino

Masters candidate

Business Faculty

Cape Peninsula University of Technology

Contacts: +27 748 097 024/ +244 924 128 330

Thank you for your participation

APPENDIX B: QUESTIONNAIRE

Questionnaire to small business owners or managers

Questionnaire number

SECTION A - DEMOGRAPHIC PROFILE

Please indicate your response by marking with a cross (X) in the appropriate box, unless stated otherwise.

Q1. Age.

Q2. Gender.

Male		(1)
Female		(2)

Q3. Nationality

Q4. What type of business ownership did you have? Please mark with an X.

Owner		(1)
Manager		(2)
Owner and manager		(3)

Q5. Please mark with an X your highest educational qualification.

Primary school		(1)
Secondary school		(2)
Post-Matric school certificate		(3)
High certificate or diploma		(4)
Bachelor degree		(5)
Post graduate degree		(6)
Other, please specify ………………………		(7)

Q6. Which of the following short courses have you attended? Please, mark all applicable to you.

Business management		(1)
Financial accounting		(2)
Human resource management		(3)
Marketing techniques		(4)
Others, please specify ……………………………		(5)

SECTION B – BUSINESS PROFILE

Q7. How many employees did the business have? Please Mark with an X.

1 to 10		(1)
11 to 50		(2)
51 to 100		(3)

Q8. Please mark with an X the type of business you had.

Services		(1)
Retailer		(2)
Tourism		(3)
Wholesaler		(4)
Manufacturing		(5)
Other, please specify ……………………………		(6)

Q9. Have you ever had a successful business person as a mentor or role model? Please mark with an X.

Yes		(1)
No		(2)

Q10. Please indicate if your venture had a business plan or not.

yes		(1)
No		(2)

Q10.1. If you answered yes to the above question, to what frequency did you run the business in accordance to the business plan? Please, mark with an X.

Never		(1)
rarely		(2)
Sometimes		(3)
Often		(4)
Always		(5)

SECTION C – MANAGEMENT SITUATIONS AS FAILURE FACTORS

Q11. Please, mark your agreement with an X to each of the statement below regard the managerial causes of small business failure.

Statements	Strongly Disagree	Disagree	Agree	Strongly Agree
Insufficient domain of the business method took the venture to failure	4	3	2	1
Insufficient domain of leadership skills took the venture to failure.	4	3	2	1
Being the only person controlling everything overload the work and took the business to failure.	4	3	2	1
Ineffective and inefficient communication with employees took the business to failure.	4	3	2	1
Ineffective and inefficient communication with customers, suppliers, or other outside organisations took the business to failure.	4	3	2	1
Insufficient business management experiences took the business to failure.	4	3	2	1
Absence of a professional advice took the business to failure.	4	3	2	1
High price or lower price strategy took the business to failure.	4	3	2	1
High uncontrolled expenditure took the business to failure.	4	3	2	1
Avoiding to pay lenders' interest contributed to the failure of the business	4	3	2	1
Delaying in the conversion of goods to cash took the business failure.	4	3	2	1
Non-payment of taxes contributed to the failure of the business.	4	3	2	1
The absence of marketing planning did contribute to the business failure.	4	3	2	1
The absence of financial planning did contribute to the business failure	4	3	2	1

SECTION D – FINANCIAL SITUATIONS AS FAILURE FACTORS

Q12. Please, mark your agreement with an X to each of the statement below regard financial causes of small business failure.

Statements	Strongly Disagree	Disagree	Agree	Strongly Agree
Insufficient financial accounting skills took the venture to failure	4	3	2	1
The absence of financial records contributed to the failure of business	4	3	2	1
Insufficient control of the business resources (finance, raw material or finished product, equipment) contributed to the failure of the business.	4	3	2	1
Customers' failure to pay their debts contributed to less cash for operations and took business to failure.	4	3	2	1
Less capital for cash flow on start-up stage contributed to the failure of business.	4	3	2	1
Using a unique account for business and personal use contributed to the failure of business.	4	3	2	1
Delays in collecting debts from customers contributed to business failure.	4	3	2	1

SECTION E - MARKET COMPETITION AS FAILURE FACTORS

Q13. Please, mark your agreement with an X to each of the statement below regard the competitive causes of small business failure.

Statements	Strongly Disagree	Disagree	Agree	Strongly Agree
Less demand on products or services took business to failure.	4	3	2	1
Many competitors selling the same product in the market contributed to failure.	4	3	2	1
Lack of competitive advantage over competitors took business to failure.	4	3	2	1
Disregarding customer complaints contributed to the failure of business.	4	3	2	1
Negligence to cultivate product awareness contributed to failure.	4	3	2	1
Theft of goods and equipment contributed to the failure of the business.	4	3	2	1
Setting a lower or too expensive competitive price of goods contributed to failure.	4	3	2	1

SECTION F – ECONOMIC CONDITIONS AS FAILURE FACTORS

Q14. Please, mark your agreement with an X to each of the statement below regard the regional economic causes of small business failure.

Statements	Strongly Disagree	Disagree	Agree	Strongly Agree
The absence of agencies and schools to support in knowledge and skills development in the area contributed to business failure.	4	3	2	1
The whole set of strict procedures in licensing the business in pre-start-up stage consumed all the money and contributed to failure.	4	3	2	1
Shortage of skilled people in the area made difficult to obtain a qualified employees and contributed to the failure of business.	4	3	2	1
Actions of bribery and corruption in the area took the business to failure.	4	3	2	1
Inadequate supplying of water and electricity in the area increased the operations cost and took the business to failure.	4	3	2	1
Insufficient support of the economy in the purchase of raw material took the business to failure.	4	3	2	1
Lack of financial support in the area made it difficult to gather sufficient capital and contributed to the failure of business.	4	3	2	1
Inadequate infrastructure conditions where the business was located made it difficult for consumer to buy goods.	4	3	2	1

Q15. Please state other economic factors that could have contributed to the failure of the business.

……

……

……

Q16. What can government do to prevent the high number of business failure in Luanda?

……

……

……

……

……

THANK YOU FOR YOUR TIME

APPENDIX C: ANGOLAN GOVERNMENT CONSENT LETTER

TRADUTOR AJURAMENTADO
PINTO CALUNDE
SWORN TRANSLATOR
REG 10466/12 CAPE TOWN
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Translation

REPUBLIC OF ANGOLA
LUANDA PROVINCIAL GOVERNMENT
MUNICIPAL ADMINISTRATION OF VIANA
NEIGHBORHOOD COMMITTEE OF REGEDORIA VIANA

RE: CONSENT LETTER

I, **Cardoso Manuel Joaquim Dias**, in my capacity as the President of the **neighborhood committee of Regedoria Viana**, hereby consent, especially, in order to allow **Mateus Vicente Justino**, a student with the number 209111755, at Cape Peninsula University of Technology, to collect data on small businesses in the Municipality de Viana, in Luanda, from April to June 2015, as part of his research for a Master's Degree in Business Administration. He has explained to me the nature of his research and the nature of the data to be collected.

This consent does not compromise any respondent to participate in the research, and it is expected that the researcher gets the explicit consent from any participants. I reserve the right to withdraw this consent sometime in the future.

Furthermore, the field of research may or not be used as indicated below. (Please tick as appropriate).

	Thesis	Conference Paper	Article for a Paper	Research Poster
Yes	✓			
No		✓	✓	✓

(Signature under institution rubber stamp)

Cardoso Manuel Joaquim Dias

13 November 2014
Date

Tel. +244-934039491
Neighborhood Committee: B St, Regedoria – Viana, Luanda

-01201102014

TRADUTOR AJURAMENTADO
PINTO CAUANDE
SWORN TRANSLATOR
REG 1066/12 CAPE TOWN
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REPÚBLICA DE ANGOLA
GOVERNO PROVINCIA DE LUANDA
ADMININISTRAÇÃO MUNICIPAL DE VIANA
COMISSÃO DE MORADORES DA REGÉDORIA VIANA

ASSUNTO: CARTA DE CONSENTIMETO

Eu ***Cardoso Manuel Joaquim Dias***, na minha competência de ***Presidente*** da ***Comissão de Moradores Regedoria Viana***, dou o consentimento, em princípio, para permitir a inserção de **Mateus Vicente Justino**, um estudante com o número 209111755, na universidade de Cape Peninsula University of Technology, a coletar dados nas pequenas empresas no município de Viana, em Luanda, durante o período de Abril a Junho de 2015, como parte de sua pesquisa de Mestrado em Administração de Empresa. O estudante explicou-me a natureza de sua pesquisa e a natureza dos dados a serem colectados.

Este consentimento não compromete a qualquer inquirido a participar na pesquisa, e espera-se que o pesquisador obtenha o consentimento explícito de quaisquer participantes. Reservo-me o direito de retirar essa permissão em algum momento futuro.

Além disso, o nome da área de pesquisa pode ou não ser usado como indicado abaixo. (Assinale conforme o caso).

	Tese	Papel de Conferênce	Artigo de Periódico	Cartaz de Pesquisa
Sim	√			
Não		√	√	√

COMISSÃO DE MORADORES
DO BAIRRO REGEDORIA
Cardoso Manuel Joaquim Dias
MUNICIPIO DE VIANA

13-NOVEMBRO 2014
data

Tel: +244-934039491

Comissão de Moradores: Rua B Regedoria - Viana, Luanda -01201102014

APPENDIX D: CPUT ETHICS APPROVAL CERTIFICATE

Cape Peninsula
University of Technology

P.O. Box 1906 • Bellville 7535 South Africa •Tel: +27 21 6801680 • Email: saliefa@cput.ac.za
Symphony Road Bellville 7535

Office of the Chairperson Research Ethics Committee	Faculty: **BUSINESS**

At a meeting of the Research Ethics Committee on 04 February 2015, Ethics Approval was granted to JUSTINO, Mateus Vicente (209111755) for research activities Related to the MTech/DTech: MTech: BUSINESS ADMINISTRATION) at the Cape Peninsula University of Technology

Title of dissertation/thesis:	Factors influencing the failure of small enterprises in a selected municipal area in Luanda, Angola Supervisor: Dr R Tengeh

Comments:

Decision: APPROVED

Signed: Chairperson: Research Ethics Committee	04 February 2015 Date

Signed: Chairperson: Faculty Research Committee	Date

Clearance Certificate No | 2015FBREC247

APPENDIX E: GRAMMARIAN LETTER

22 Krag Street
Napier
7270
Overberg
Western Cape

November 2015

EDITING & PROOFREADING

Cheryl M. Thomson

FACTORS INFLUENCINGTHE FAILURE OF SMALL ENTERPRISES IN A SELECTED MUNICIPAL AREA IN LUANDA, ANGOLA

This is to confirm that the above-titled Master's dissertation of **Mateus Vicente Justino,** student number **209111755,** at the CAPE PENINSULA UNIVERSITY OF TECHNOLOGY, was proof-read and edited by Cheryl Thomson in preparation for submission of dissertation for assessment.

Yours faithfully

CHERYL M. THOMSON

e-mail: cherylthomson2@gmail.com

cell: 0826859545